



## **ABUNDANCE INTERNATIONAL LIMITED**

# **ANNUAL REPORT 2020**

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*The contact person for the Sponsor is Ng Joo Khin.  
Tel: 63893000 Email: [jookhin.ng@morganlewis.com](mailto:jookhin.ng@morganlewis.com)*

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# **CORPORATE INFORMATION**

## **BOARD OF DIRECTORS**

### **Executive:**

Mr Shi Jiangang (Executive Chairman)

Mr Sam Kok Yin (Managing Director)

Mr Jiang Hao (Executive Director)

### **Non-Executive:**

Mr Chan Cher Boon (Lead Independent Director)

Mr Francis Yau Thiam Hwa (Independent Director)

Mr Tham Hock Chee (Independent Director)

## **AUDIT COMMITTEE**

Mr Francis Yau Thiam Hwa (Chairman)

Mr Chan Cher Boon

Mr Tham Hock Chee

## **NOMINATING COMMITTEE**

Mr Chan Cher Boon (Chairman)

Mr Francis Yau Thiam Hwa

Mr Tham Hock Chee

## **REMUNERATION COMMITTEE**

Mr Tham Hock Chee (Chairman)

Mr Francis Yau Thiam Hwa

Mr Chan Cher Boon

## **COMPANY SECRETARIES**

Ms Ong Beng Hong

Ms Tan Swee Gek

## **CORPORATE INFORMATION (CONT'D)**

### **REGISTERED OFFICE**

9 Joo Koon Circle, Singapore 629041

Tel: +65 6861 4040

Fax: +65 6861 0530

contact@abundance.com.sg

### **SHARE REGISTRAR**

B.A.C.S. Private Limited

8 Robinson Road #03-00 ASO Building

Singapore 048544

### **AUDITORS**

Foo Kon Tan LLP

Public Accountants and Chartered Accountants

24 Raffles Place,

#07-03 Clifford Centre,

Singapore 048621

### **AUDIT PARTNER-IN-CHARGE**

Mr Chang Fook Kay

Appointed w.e.f. financial year ended 31 December 2018

### **BANKERS**

Standard Chartered Bank (Singapore) Limited

DBS Bank Ltd

Malayan Banking Berhad

CIMB Bank Berhad

CTBC Bank Co., Ltd.

### **SPONSOR**

Stamford Corporate Services Pte. Ltd.

10 Collyer Quay #27-00 Ocean Financial Centre

Singapore 049315

# MESSAGE TO SHAREHOLDERS

## Dear Shareholders

On behalf of the board of directors (the “**Directors**”), I present to you the annual report of Abundance International Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the financial year from 1 January 2020 to 31 December 2020 (“**FY2020**”). The results of the prior financial year from 1 January 2019 to 31 December 2019 (“**FY2019**”) are used for comparison in the financial and operational review section.

## FINANCIAL AND OPERATIONAL REVIEW

### Financial Performance

The Group recorded US\$411.1 million of revenue, mainly arising from the chemical trading business undertaken by our wholly-owned subsidiary Orient-Salt Chemicals Pte. Ltd. and its subsidiaries (the “**OSC Group**”). Revenue from the provision of print and paper management services consists mainly of the provision of sheeting, slitting, rewinding and storage of paper for third parties. The print and paper management activities were carried out by the Group’s wholly owned subsidiary, Abundance Resources Pte. Ltd., which commenced active operations during the course of FY2019.

This year, OSC Group achieved revenue of US\$410.5 million, with profit after tax of US\$0.3 million amidst challenges of the COVID-19 pandemic and global economic downturn. This was due mainly to certain types of chemical products that can be used to produce hand sanitisers which were in high demand. In addition, the prices per ton of several chemicals have increased as compared to the prices during the same period last year. The corresponding cost of goods sold has increased by US\$49.2 million from US\$344.4 million in FY2019 to US\$393.6 million in FY2020. Freight and handling charges increased by US\$0.6 million from US\$9.6 million in FY2019 to US\$10.2 million in FY2020 due mainly to the higher freight costs in line with the increase in sales to customers compared to the same period last year. Short-term leases and leases of low-value assets increased by US\$0.3 million from US\$2.0 million in FY2019 to US\$2.3 million in FY2020 which were due mainly to the storage of more chemicals stock at third party warehouses as compared to the same period last year.

Employee benefits expenses decreased slightly by US\$0.1 million from US\$2.9 million in FY2019 to US\$2.8 million in FY2020 due mainly to lower staff bonus provided for FY2020. Other expenses increased by US\$1.4 million from US\$4.7 million in FY2019 to US\$6.1 million in FY2020. This was mainly due to one off expense incurred during FY2020 such as impairment loss on plant and equipment for a non-performing subsidiary and the loss on contract cancellation paid to a customer for non-fulfilment of a contract with the customer due to volatility in chemical supplies.

Finance costs increased by US\$0.2 million from US\$1.3 million in FY2019 to US\$1.5 million in FY2020. This was mainly due to higher interest expenses incurred for (i) unwinding of discount adjustment arising from the non-cash interest on the Bonds allotted and issued pursuant to the 2017 Rights Issue and (ii) interest on bank loans as compared to the same period last year.

The income tax expenses in FY2020 arose from the provision for income taxes of profitable subsidiaries. The income tax credit in FY2019 was due to the tax effect on the utilisation of group relief on loss-making companies.

There was a loss attributable to the Shareholders of US\$2.6 million in FY2020 after deducting costs comprising mainly:

- a non-cash interest expense of US\$1.2 million recorded in FY2020 as a result of the S\$12,855,000 in principal amount of zero coupon bonds issued by the Company on 31 January 2017; and
- depreciation and amortisation of US\$709,000 that was mainly derived from the factory at 9 Joo Koon Circle.

### **Financial Position**

Financial assets at fair value through other comprehensive income represents the Group's investment in Shanghai Sunrise Polymer Material Co., Ltd. ("SSPM") for a shareholding of 18.18% of the enlarged registered capital of SSPM and fair value upward adjustment based on a valuation performed by an independent professional valuer due to better financial performance and results of SSPM in FY2020.

Property, plant and equipment decreased by US\$1.0 million from US\$14.1 million as at 31 December 2019 to US\$13.1 million as at 31 December 2020 which was due mainly to depreciation charge for the year and currency exchange differences as a result of the strengthening of the Singapore dollar against the United States dollar.

Inventories decreased by US\$1.4 million from US\$17.3 million as at 31 December 2019 to US\$15.9 million as at 31 December 2020 which was due mainly to more sales during last quarter of FY2020 and the increased efforts made by the management to reduce inventories.

Trade receivables increased by US\$14.6 million from US\$15.6 million as at 31 December 2019 to US\$30.2 million as at 31 December 2020 which was due mainly to i) more sales generated in last quarter of year 2020; and ii) longer credit term granted to customers covered under trade credit insurance. The Group's average debtor turnover days has increased slightly from 16 days as at 31 December 2019 to 20 days as at 31 December 2020.

Advances and prepayments increased by US\$0.9 million from US\$6.2 million as at 31 December 2019 to US\$7.1 million as at 31 December 2020 which was due mainly to more advance payment made to suppliers for the procurement of chemical supplies in respect of the OCS Group's chemical trading business.

Cash and bank balances decreased by US\$0.7 million from US\$5.6 million as at 31 December 2019 to US\$4.9 million as at 31 December 2020 due mainly to US\$3.6 million bank loan obtained during the year offset by US\$3.9 million negative cash used in operations and loan repayment of US\$0.3 million.

Trade payables increased by US\$10.4 million from US\$27.3 million as at 31 December 2019 to US\$37.7 million as at 31 December 2020 due mainly to more goods purchased toward the last quarter of year 2020.

Advances from customers made in relation to the sales of chemical supplies by OSC Group remained relatively unchanged from US\$5.2 million as at 31 December 2019 to US\$5.0 million as at 31 December 2020.

Borrowings increased by US\$4.8 million from US\$8.4 million as at 31 December 2019 to US\$13.2 million as at 31 December 2020 which were due to i) the accretion of non-cash interest expense of bond payable recorded during FY2020 and ii) a new Temporary Bridging Loan under Singapore Enterprise Financing Scheme of US\$3.6 million at a lower interest that was taken up in June 2020 offset with repayment during second half of FY2020.

### **Cash Flows**

Net cash used in operating activities was US\$3.9 million in FY2020 as compared to net cash generated from operating activities of US\$1.0 million in FY2019, due mainly to higher working requirements arising from trade receivables as compared to the same period last year.

Net cash used in investing activities was US\$48,000 in FY2020 which was significantly lower when compared to the US\$3.9 million used in FY2019. This was because of higher purchases of new plant and equipment in FY2019 as compared to FY2020 and the new investment in SSPM recorded in FY2019.

Net cash generated from financing activities was US\$3.5 million in FY2020 compared to net cash used in financing activities US\$0.1 million in FY2019. This was due mainly to the new Temporary Bridging Loan under Singapore Enterprise Financing Scheme of US\$3.6 million that was taken up in June 2020.

## SUBSEQUENT DEVELOPMENTS

- i. Following the Covid-19 outbreak, the Group has implemented necessary measures, such as work from home arrangements, for staff in Singapore, Japan and in the PRC, to ensure business continuity. Accordingly, the Group was able to manage and minimise disruptions to business operations notwithstanding that the Group's chemical businesses are conducted mainly from the PRC and the fact that many customers and suppliers are based in the PRC and Asia Pacific Region. Nevertheless, the Group too was affected to some extent by the production, supply and logistical bottlenecks caused by the pandemic. The Group will continue to closely monitor the evolving situation of COVID-19 pandemic and shall adjust and react accordingly with appropriate measures. The Group has also taken steps to expand its pool of suppliers and storage/logistic providers in order to better deal with future unexpected events like Covid-19.
- ii. Prior to the expiry of the Warrants, a total of 638,938,706 Warrants had been exercised on 29 January 2021, resulting in the allotment and issue by the Company of 638,938,706 new ordinary shares in the capital of the Company (the "**New Shares**"). Accordingly, the issued and paid-up share capital of the Company as at 29 January 2021 has increased from 642,750,000 ordinary shares to 1,281,688,706 ordinary shares. The New Shares rank pari passu in all respects with the existing issued and paid-up shares of the Company, save for any dividends, rights, allotments or other distributions, the record date for which falls on or before the date of issue and allotment of the New Shares. The New Shares had been listed and quoted on Catalist with effect from 2 February 2021. The Warrants had been de-listed from the Official List of the SGX-ST after their expiry date. Please refer to the Company's announcement dated 29 January 2021 for further information.
- iii. The S\$12,855,000 in principal amount of Bonds issued by the Company matured on 30 January 2021 and were fully settled. As previously announced by the Company on 28 December 2020, bondholders have the option to utilise (in full or in part) their entitlement to the principal amount to be redeemed from the Bonds to pay the exercise price for the Warrants. For FY2020, the Company has to record a non-cash interest expense of US\$1.2 million from the Bonds. This non-cash interest expense from the Bonds will be significantly reduced in FY2021 since the Bonds matured on 30 January 2021.

## LOOKING AHEAD

### Chemical Business

FY2020 saw an increase in the average selling price of the chemical products that the Group trades in. Amidst challenges of the COVID-19 pandemic, global economic downturn and competitive trading environment, OSC Group achieved revenue of US\$410.5 million, with a loss after tax of US\$0.3 million.

As at 31 December 2020, the OSC Group has access to approximately US\$43.0 million of trade facilities granted by banks for the purpose of its chemical trading business. Certain suppliers have also granted us credit terms when we purchase goods from them.

The Company's joint venture company, Zhangjiagang Orient-Hill Microorganisms Technology Co., Ltd. ("**Zhangjiagang Orient-Hill**") had on 2 March 2020 signed an agreement to acquire a 40% equity stake in Orient-Hill (Guangdong) Microorganisms Environmental Technology Co. Ltd. Zhangjiagang Orient-Hill has so far secured a service contract and it is in the midst of negotiations with a few other potential customers for new service contracts. During FY2020, Zhangjiagang Orient-Hill has recorded US\$75,000 in revenue, with loss after tax of US\$1.1 million. Impairment loss on plant and equipment, high research costs, marketing fees and operating costs were incurred during FY2020, resulting in a net loss.

The Company's wholly-owned subsidiary, Abundance Investments Pte. Ltd., acquired 18.18% of the enlarged share capital of Shanghai Sunrise Polymer Material Co., Ltd. ("**SSPM**") in FY2019. SSPM was incorporated in the PRC and specialises in the production of specialty chemicals used mainly for the construction industry, such as concrete admixtures, mortar admixtures, gypsum water reducing agents, floor

care products and geotechnical engineering additives. SSPM together with its subsidiaries has recorded an unaudited profit of US\$1.4 million for FY2020.

We will continue to explore and evaluate other chemical related investment opportunities.

### **Investment Business**

The Group commenced its investment business under its wholly-owned subsidiary, Abundance Investments Pte. Ltd. As at 31 December 2020, this portfolio (excluding the 18.18% equity interest in SSPM) consisted of cash and listed equities, which amounted to US\$0.53 million.

The Group will make appropriate investments as and when good opportunities come along and where its cash flow position allows.

### **Print and Paper Management Business**

As previously announced, the Group has ceased printing internally. The Group has since been exploring ways to adjust its business model moving forward. In June 2019, the Group started slitting and rewinding of paper rolls and in October 2019, The Group started providing sheeting services. Today, the Group is able to provide a comprehensive suite of paper management services to its clients which are mostly based in Singapore. The Group's print and paper management business achieved US\$613,000 of revenue for FY2020.

## **APPRECIATION**

We would like to express our gratitude and utmost appreciation to our valued shareholders, customers, business partners and associates for their continuous support, trust and confidence in us during this pandemic period. We will continue our efforts to enhance shareholder value. We also wish to thank our management team and employees for their diligence and commitment to the Group.

**Shi Jiangang**

*Executive Chairman*

19 March 2021

## BOARD OF DIRECTORS

### **Shi Jiangang**

*Executive Chairman*

Mr Shi Jiangang was appointed as a Director of the Company and Executive Chairman on 25 September 2014, following the completion of the bonds issue and the placement issue on 25 September 2014. He was last re-elected a Director on 24 April 2019.

As Executive Chairman, Mr Shi is responsible for the overall business operations and management of the Group's business, particularly in the new chemical and investment businesses. Mr Shi has been the President of the Feixiang group of companies (the “**Feixiang Group**”) since 2001. The Feixiang Group mainly operates in the chemicals industry. Currently, Mr Shi has other diversified business interests, including education and property development.

### **Sam Kok Yin**

*Managing Director*

Mr Sam Kok Yin was appointed as a Director and Executive Director of the Company on 25 September 2014, following the completion of the bonds issue and the placement issue on 25 September 2014. He was last re-elected a Director on 28 January 2015 and was re-designated as the Managing Director of the Company on 19 August 2016. As the Managing Director, Mr Sam is responsible for the overall business operations and management of the Group's business, particularly in the new chemical and investment business.

Mr Sam was a practicing Advocate and Solicitor from 2001 to 2007, and subsequently from 2009 to July 2010. From February 2011 to December 2011, Mr Sam was the Deputy Chairman and chief executive officer of Sun East Group Limited, a company listed on the mainboard of the SGX-ST. Mr Sam has been involved in various listings, merger and acquisitions, white knight rescues and other corporate exercises.

Mr Sam obtained his honours degree in law from the National University of Singapore in 2000.

### **Jiang Hao**

*Executive Director*

Mr Jiang Hao was appointed a Director and Executive Director of the Company on 16 August 2017. He was last re-elected a Director on 26 April 2018. He has many years of working experience in the trading of commodity chemicals. From 1993 to 1996, he worked in Nanyang Corporation Limited, doing chemical trading. From 1997 to 2002, he was in China Salt Company Shanghai Branch, a state owned enterprise, doing sales and marketing of chemicals. From 2002 to 2015, he was heading and was the largest shareholder of Shanghai Orient-Salt Chemicals Co., Ltd. – a successful commodity chemical trading house in China.

## **BOARD OF DIRECTORS (CONT'D)**

### **Chan Cher Boon**

*Lead Independent Director*

Mr Chan Cher Boon was appointed a Director of the Company on 6 December 2007. He was last re-elected a Director on 26 April 2018. Mr Chan is also Chairman of the Company's Nominating Committee, and a member of the Audit and Remuneration Committees. He was appointed the Lead Independent Director of the Company on 13 May 2009. He is professionally qualified in accountancy and law and has diverse experiences in both fields of work in a number of countries with different legal jurisdictions and financial environments. His expertise in corporate and business law and in corporate finance, mergers and acquisitions was gained through his services with Price Waterhouse (in the United Kingdom, Australia and South East Asia), with Standard Chartered Group (in London and Singapore) and through his own legal practice. He has served as CEO of public listed companies in Hong Kong and Singapore and as an independent director of several public listed companies.

### **Francis Yau Thiam Hwa**

*Independent Director*

Mr Francis Yau Thiam Hwa was appointed a Director of the Company on 2 January 2015. He was last re-elected a Director on 26 April 2018. Mr Francis Yau is also Chairman of the Company's Audit Committee, and a member of the Nominating and Remuneration Committees. He graduated from the National University of Singapore with a Bachelor in Business Administration (Major in Finance). He has several years of experience across a wide spectrum of expertise and achievements, ranging from corporate banking, financial and risk management, strategic planning and implementation and corporate finance/mergers and acquisitions to the management of the corporate affairs in a public listed company and has a good knowledge of corporate governance, investor relations, international markets, business practices and trade regulations in major markets in Asia. He is currently the Chief Financial Officer of Megachem Ltd, a Catalyst listed company in Singapore and had served on the board of a Singapore listed company.

### **Tham Hock Chee**

*Independent Director*

Mr Tham Hock Chee was appointed a Director of the Company on 2 January 2015. He was last re-elected a Director on 24 April 2019. Mr Tham is also Chairman of the Remuneration Committee, and a member of the Audit and Nominating Committees. He graduated from the University of Hamburg with a Bachelor in Industrial Engineering. His experience spans over 40 years across different industries (both local and foreign companies and Singapore statutory bodies, namely TDB and EDB) and has a wide spectrum of expertise and achievements. He has served on the board of a Singapore listed companies.

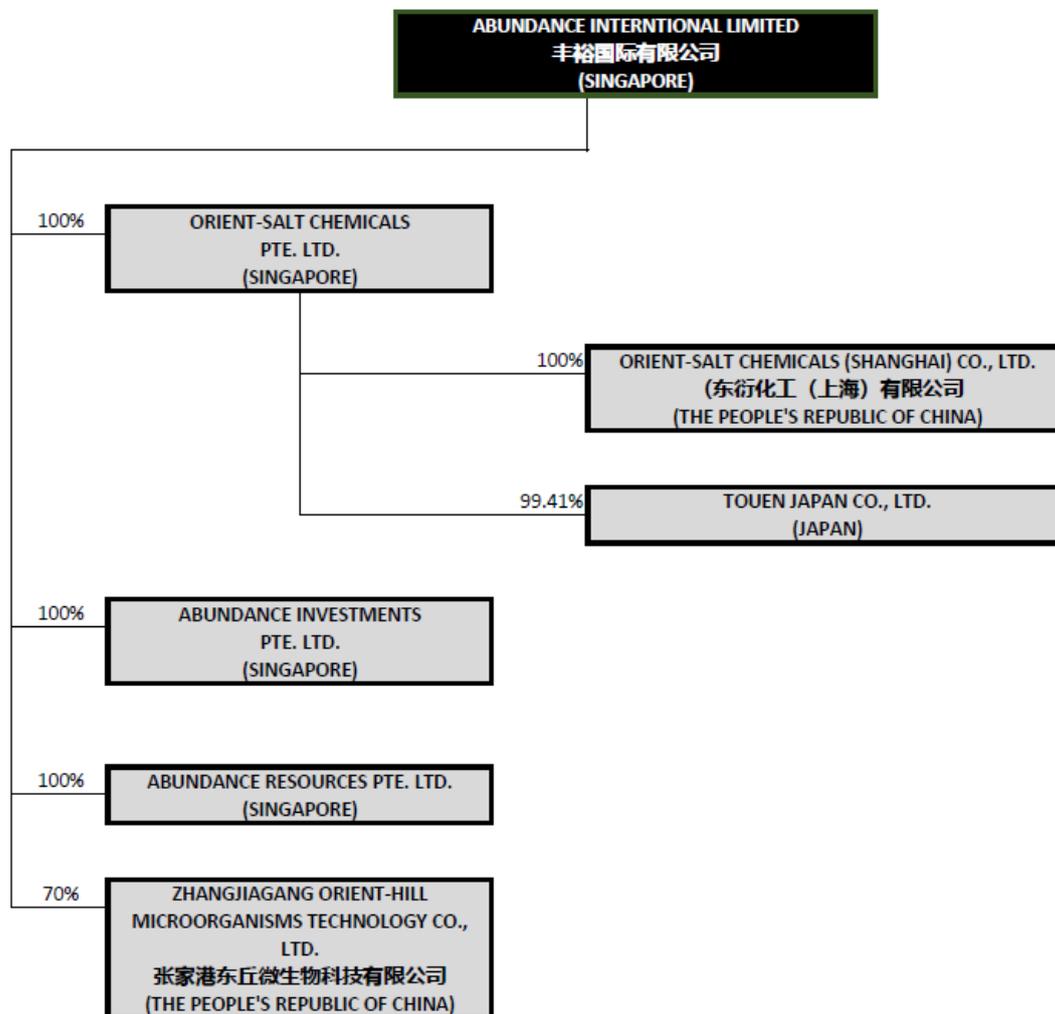
## **KEY MANAGEMENT PERSONNEL**

### **Tan Pei Shan**

*Financial Controller*

Ms Tan Pei Shan was appointed as Financial Controller on 16 April 2018. She is responsible for overseeing the financial management, accounting and tax functions of the Group. Prior to joining the Company, she was an audit manager with an international accounting firm. She is a Chartered Accountant and non-practising member of the Institute of Singapore Chartered Accountants. She is also a fellow member of the Association of Chartered Certified Accountants (ACCA).

## GROUP STRUCTURE AS AT 31 DECEMBER 2020



## FINANCIAL HIGHLIGHTS

	FY2017 US\$'000	FY2018 US\$'000	FY2019 US\$'000	FY2020 US\$'000
Revenue - Chemicals	523,890	413,402	360,261	410,534
Revenue – Printing Related	127	-	213	613
<b>Total revenue</b>	<b>524,017</b>	<b>413,402</b>	<b>360,474</b>	<b>411,147</b>
Earnings/(Losses) before interest, taxes, depreciation and amortisation (“EBITDA/ (LBITDA)”) )	1,457	898	(719)	(36)
Loss attributable to equity holders of the Company	(536)	(743)	(2,484)	(2,625)
Property, plant and equipment	13,890	13,721	14,105	13,132
Net tangible assets attributable to equity holders of the Company	21,429	20,702	18,784	18,958

Revenue by Geographical Segment	FY2017 US\$'000	FY2018 US\$'000	FY2019 US\$'000	FY2020 US\$'000
PRC	453,316	293,061	241,516	281,618
Other Countries in Asia	46,604	99,959	100,966	124,489
Others	24,097	20,382	17,992	5,040

# REPORT ON CORPORATE GOVERNANCE

The Group strives to maintain a high standard of corporate governance to safeguard the interests of all its stakeholders where possible.

The Company recognises that good corporate governance establishes and maintains a legal and ethical environment, which is essential for preserving and enhancing the interests of all stakeholders. In keeping with its commitment to a high standard of corporate governance, the board of directors (the “**Board**”) and senior management (the “**Management**”) will ensure that the Group’s governance framework is compliant with the principles of the Code of Corporate Governance 2018 (the “**2018 Code**”).

This report describes the corporate governance framework and practices of the Company that were in place throughout FY2020 under review, with specific reference to the 2018 Code. The Company confirms that it has complied with the principles set out in the 2018 Code. Where the Company’s practices vary from any provisions of the 2018 Code, the provision deviated from is expressly stated in the Company’s annual report with the reason for the variation provided as well as an explanation of how the practices adopted by the Company is consistent with the intent of the relevant principle.

## A. BOARD MATTERS

The Board works closely with the Management for the long-term success of the Group. As at the date of this report, the Board comprises the following members:

Shi Jiangang	(Executive Chairman)
Sam Kok Yin	(Managing Director)
Jiang Hao	(Executive Director)
Chan Cher Boon	(Lead Independent Director)
Francis Yau Thiam Hwa	(Independent Director)
Tham Hock Chee	(Independent Director)

A description of the background of each director of the Company (“**Director**”) is presented in the “Board of Directors” section of this annual report, as set out on page 8 to page 9.

### THE BOARD’S CONDUCT OF ITS AFFAIRS (PRINCIPLE 1)

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

The Board is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders and for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. The Board has in place a code of conduct and ethics, sets appropriate tone from the top and desired organisational culture, and ensures proper accountability within the Company. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group and hold Management accountable for performance. Any Board member who faces conflicts of interest is required to recuse himself from discussions and decisions involving the issues of conflict.

Apart from its fiduciary duties, the Board’s principal roles and responsibilities as set out in its terms of reference include:

- providing effective leadership, guiding and setting corporate strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;

- reviewing the processes relating to the adequacy of internal controls, including information technology (“IT”) controls, addressing financial, operational, IT and compliance risk areas identified by the Audit Committee and its recommendations on actions to be taken to address and monitor the areas of concern;
- approving broad policies, strategies and financial objectives of the Group;
- reviewing the performance of the Group towards achieving adequate shareholders’ value, including but not limited to the declaration of interim and final dividends, if applicable, approval of announcements relating to financial results of the Group and the audited financial statements, and timely announcements of material transactions;
- approving annual budgets, key operational matters, corporate or financial restructuring, major funding proposals, investment and divestment proposals and making decisions in the interests of the Group;
- approving major acquisitions and disposals of assets and interested person transactions of a material nature;
- approving all Board appointments/re-appointments and appointments of key personnel;
- evaluating the performance and compensation of Directors and key members of the Management (the “Key Management Personnel”);
- overseeing the proper conduct of the Company’s business, setting the Group’s values and standards, and reviewing the corporate governance processes; and
- considering sustainability issues, such as environmental and social factors, as part of its strategic formulation of the Group’s future business directions and operations.

The approval of the Board is required for any matters which is likely to have a material impact on the Group’s operating units and/or financial positions such as transactions involving a conflict of interest for any substantial shareholder or Director, material acquisitions and disposals of assets and corporate or financial restructuring exercises as well as matters other than in the ordinary course of business and the same is communicated in writing to the Management. The Board believes that when making decisions, all Directors act objectively and in the interest of the Company.

### **Board Committees**

To facilitate effective management and to assist the Board in executing its responsibilities and to enhance the Group’s corporate governance framework, the Board delegates specific authority to three board committees namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) (collectively, the “**Board Committees**”).

All Board Committees comprise only Independent Directors who are independent within the meaning of the 2018 Code and in accordance with Rule 406(3)(d) of Section B of the Listing Rules (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX**”), and are chaired by an Independent Director. These Board Committees function within written terms of reference setting out their compositions, authorities, duty and operating procedures.

The Board accepts that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, the ultimate responsibility for the decisions and actions rests with the Board and the Chairman of the respective Board Committees will report back to the Board with their decisions and/or recommendations. Further details on the AC, NC and RC, as well as their respective terms of reference, are set out in other sections of this report.

## Board and Board Committee Meetings

The Board schedules at least two meetings a year to review *inter alia* half-yearly and full-year results, and accounting policies. Ad-hoc meetings will be convened as and when required to address significant transactions and issues that may arise in-between the scheduled meetings. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments. To ensure maximum Board participation, the Company's Constitution provides for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously. Members of the Management are invited to attend the Board meetings to present information and/or render clarification when required.

Where physical Board and Board Committee meetings are not possible, timely communication with members of the Board or Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the relevant Board and Board Committee members.

Directors may request further explanation, briefing or discussion on any aspect of the Group's operation or business from the Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

To assist the Board in fulfilling its responsibilities effectively, the Management provides the Board with reports containing complete, adequate and timely information prior to Board meetings and, where necessary, on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. The Board reports include background or explanatory information relating to matters to be brought before the Board. Board members also have full access to any additional information they may require. To facilitate direct and independent access, Board members are provided with the contact details of Management and the company secretaries ("**Company Secretaries**"). Directors have separate and independent access to Management, the Company Secretaries, and external advisers (where necessary) at the company's expense.

One of the company secretaries and/or her representative(s) also attends all Board and Board Committee meetings and is responsible for ensuring that Board procedures are observed and that the applicable rules and regulations are complied with. The Board is also periodically updated by a Company Secretary on relevant laws and regulatory changes affecting the Company and concerning the duties and responsibilities of directors.

The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Where decisions to be taken require expert opinion or specialised knowledge, the Directors whether as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

Details of Directors' attendance at the Board and Board Committee meetings held in FY2020 are disclosed in the table below:

Name of Directors	Number of Meetings attended in FY2020			
	Board	Audit Committee	Nominating Committee	Remuneration Committee
Shi Jiangang	2/2	2/2 <sup>(1)</sup>	-	-
Sam Kok Yin	2/2	2/2 <sup>(1)</sup>	1/1 <sup>(1)</sup>	1/1 <sup>(1)</sup>
Jiang Hao	2/2	2/2 <sup>(1)</sup>	-	-
Chan Cher Boon	2/2	2/2	1/1	1/1
Francis Yau Thiam Hwa	2/2	2/2	1/1	1/1
Tham Hock Chee	2/2	2/2	1/1	1/1

**Note:**

- <sup>(1)</sup> Mr Shi Jiangang, Mr Sam Kok Yin and Mr Jiang Hao attended the meetings of the Board Committees held during FY2020 under review as invitees.

While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board is kept informed of any relevant changes to legislation and regulatory requirements, to enable them to make well-informed decisions and carry out their roles and responsibilities. Directors are encouraged to participate in seminars or external training programmes to be kept abreast of the latest developments relevant to the Group's businesses and to develop and maintain their skills and knowledge at the Company's expense. The Group also ensures that all Directors understand the Group's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Group will consider appropriate training programs for its Directors, especially new Directors, to equip them with the relevant knowledge, where and when required, in connection with their duties and obligations as Directors, under the Companies Act, Cap. 50 (the "Act") and the Catalist Rules. The Executive Directors are provided with a Service Agreement (defined below) setting out the terms and conditions of their appointment.

The Group's policies and procedures are also extended to the Directors to enable them to gain a clear understanding on the levels of authority in relation to transactions. In addition, the Directors are provided with the contact numbers and email addresses of Key Management Personnel and the Company Secretaries to facilitate efficient and direct access.

All Directors, including newly-appointed Directors would be briefed on and given materials containing information on the Company's business, operations and governance practices as well as an orientation by Management to familiarise themselves with the businesses and operations of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training and briefing. In line with Rule 406(3)(a) of the Catalist Rules, the Company will arrange for newly-appointed directors who have no prior experience as directors of an issuer listed on the SGX to undergo the mandatory SGX prescribed training on their roles and responsibilities within one (1) year of their appointment unless the NC otherwise at its discretion waives the need for the newly-appointed Director to attend the mandatory SGX prescribed training.

The Directors also have the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and governance practices. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time to apprise themselves of legal, financial and other regulatory developments at the Company's expense. As an ongoing exercise, the Directors will also be briefed by professionals during Board meetings or at separate seminars on amendments and requirements of the Catalist Rules and other statutory and regulatory changes which may have an important bearing on the Company and the Directors' obligations to the Company, from time to time.

## **BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)**

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

### **Board Composition and Independence**

Provision 2.2 of the 2018 Code provides that where the Chairman is not an Independent Director, the Independent Directors should make up majority of the Board and Provision 2.3 of the 2018 Code states that Non-Executive Directors should make up a majority of the Board. Notwithstanding the foregoing provisions, although the Chairman is not an Independent Director, the Board comprises six Directors, of whom three are Independent Directors and three are Executive Directors. The Independent Directors are Mr Chan Cher Boon, Mr Francis Yau Thiam Hwa and Mr Tham Hock Chee. After considering the independence of the Independent Directors as well as how they have always constructively challenged the Management on business decisions and remained objective in the discharge of their duties and responsibilities, the Board had decided to maintain the current Board composition with Independent Directors making up 50% of the Board. The Board believes that even though Independent Directors only make up 50% (and not the majority) of the Board, there is still a sufficiently strong and independent element in the Board to maintain appropriate checks and balances and avoid undue influence of the Management on the Board's decision making process. The Company believes that the existing Board composition is consistent with Principle 2 of the 2018 Code as the Independent Directors are, for the purposes of Provision 2.1 of the 2018 Code, considered independent and able to provide the appropriate level of independence and diversity of thought and background and to make decisions in the best interests of the Company.

The NC reviews annually the independence of each Director based on the definition and criteria set out in the 2018 Code and the Catalist Rules. Pursuant to Provision 2.1 of the 2018 Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Under Rule 406(3)(d) of the Catalist Rules, a director will not be considered independent (i) if he is employed or has been employed by the Company or any of its related corporations for the current or any of the past three financial years or (ii) if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the current or any of the past three financial years, and whose remuneration is determined by the remuneration committee of the Company. Each Independent Director is required to complete a confirmation of independence form drawn up based on the guidelines provided in the 2018 Code and Rule 406(3)(d). Thereafter, the NC reviews the confirmations and recommends its assessment to the Board.

None of the Independent Directors have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgments with a view to the best interests of the Company.

The NC and the Board have determined that each of the Company's Independent Directors is independent based on the definition and criteria set out in the 2018 Code and the Catalist Rules. Pursuant to Provision 2.1 of the 2018 Code, no individual dominates the Board's decision-making process, taking into consideration whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

The 2018 Code stipulates that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. Mr Chan Cher Boon, who was appointed as an Independent Director of the Company on 6 December 2007, had been an Independent Director of the Company since 2007. Accordingly, as he will be retiring and seeking re-election at the forthcoming Annual General Meeting pursuant to Regulation 87 of the Company's constitution, he will also be seeking approval for his continued appointment as an Independent Director via separate resolutions to be voted upon by shareholders pursuant to Rule 210(5)(d)(iii) of the Listing Manual which will come into effect on 1 January 2022.

Mr Chan Cher Boon has served on the Board for more than nine (9) years from the date of his first appointment. Taking into account the views of the NC, as well as the need for progressive refreshing of the Board, the Board has reviewed and considered Mr Chan Cher Boon to be independent based on the definition and criteria set out in the 2018 Code and the Catalist Rules. Amongst other reasons, Mr Chan Cher Boon has throughout his appointment continuously and constructively challenged the Management on business decisions and remained objective in the discharge of his duties and responsibilities.

In addition, having reviewed the size and composition of the Board and Board Committees to ensure that the size of the Board and Board Committees is conducive for effective discussions and decision-making and that the Board comprises of directors who have the appropriate mix of expertise and experience and diversity (including age) as well as an appropriate balance of Independent Directors, the NC, with the concurrence of the Board, is of the view that:

- the current Board size of six Directors, of which three are Independent Directors, is appropriate and effective;
- the current Board Committee size is appropriate and effective;
- the Board has the appropriate mix of expertise and experience and diversity (including age), taking into account the nature and scope of the Group's operations, and collectively possesses the necessary core competencies for effective functioning and informed decision-making; and
- the Board is able to exercise independent judgement on corporate matters and issues and to encourage constructive debate whilst avoiding domination by any individuals or small groups of individuals in its decision-making process.

As a group, the Executive Directors possess intimate knowledge of the Group's business and the industry in which the Group operates. The Independent Directors provide a broad range of expertise in areas such as business and management experience, human resource, finance, legal and strategic planning experience. The diversity of the Directors' experience allows for useful exchange of ideas and views and is necessary and critical to meet the Group's objectives for an effective Board. A description of the background of each Director is presented in the "Board of Directors" section of this annual report, as set out on page 8 to page 9.

The Independent Directors contribute to the Board process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, the Independent Directors bring independent judgment to bear on business activities and transactions including conflicts of interest or other complexities. Ad-hoc meetings of the Independent Directors (without presence of Management) will also be convened as and when required to address issues or provide feedback that may arise in-between the scheduled meetings. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Details of the appointment of each Director, including the date of initial appointment and the date of last re-election as a Director of the Company, as well as their directorships in other listed companies and other principal commitments, both current and for the preceding three (3) years, are set out below:

Name	Date of Appointment	Date of last re-election	Past Directorships in Listed Companies in the preceding 3 years	Present Directorships in Listed Companies	Other Principal Commitments
Shi Jiangang	25 September 2014	24 April 2019	Nil	Nil	Mr Shi has investments in various companies involved in, <i>inter alia</i> , the chemical, education and property development sectors. However, he is not involved in their day-to-day operations and is involved only in making major decisions.
Sam Kok Yin	25 September 2014	28 January 2015 <sup>(1)</sup>	Nil	Nil	Nil
Jiang Hao	16 August 2017	23 June 2020	Nil	Nil	General Manager of Shanghai Orient-Salt Chemicals Co., Ltd.
Chan Cher Boon	6 December 2007	26 April 2018	Nil	Nil	Director of CCB Management Services Pte Ltd
Tham Hock Chee	2 January 2015	24 April 2019	Nil	Ouhua Energy Holdings Limited	Nil
Francis Yau Thiam Hwa	2 January 2015	23 June 2020	Nil	Advancer Global Ltd	Chief Financial Officer of Megachem Limited

**Note:**

- <sup>(1)</sup> As disclosed in this report, under the Company's Constitution, the Managing Director is not subject to retirement by rotation. Nonetheless, pursuant to Rule 720(4) of the Catalyst Rules, the Company will ensure that all Directors submit themselves for re-nomination and re-appointment at least once every three years and in line with this, Mr Sam Kok Yin, the Managing Director of the Company will be submitting himself for re-election at the Company's forthcoming AGM.

### **CHAIRMAN AND MANAGING DIRECTOR (PRINCIPLE 3)**

*There is a clear division of responsibilities between the leadership of the Board and Management and no individual has unfettered powers of decision making.*

The positions of the Chairman and the Managing Director are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the Managing Director are not related to each other.

The Chairman, Mr Shi Jiangang, assisted by the Managing Director, Mr Sam Kok Yin, is responsible for the effective working of the Board such as ensuring that Board meetings are held when necessary, assisting in compliance with the Company's guidelines on corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with the Management on all operational matters. The Managing Director, Mr Sam Kok Yin is responsible for the overall business operations and management of the Group's business, particularly in the Group's new chemical and investment businesses. Minutes of the Board meetings are circulated to all Directors for their review. The Company Secretaries assist the Chairman in scheduling the Board and Board Committee meetings respectively in consultation with the Financial Controller. The Chairman, assisted by the Managing Director, Mr Sam Kok Yin, reviews Board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information. The Company has not appointed a Chief Executive Officer and the roles and responsibilities typically taken on by a chief executive officer are being fulfilled by Mr Sam Kok Yin, the Managing Director.

All major decisions relating to the operations and management of the Company are jointly and collectively made by the Board after taking into account the opinion of all the Directors. In addition, all major decisions and policy changes are conducted through the respective Board or Board Committees. As such, there is a clear division of responsibilities between the Board and the Management and there is balance of power and authority and therefore no individual controls or dominates the decision-making process of the Company.

In line with the 2018 Code, since the Chairman is not an Independent Director, the Company has appointed an Independent Director, Mr Chan Cher Boon, to be the Lead Independent Director. His role is to enhance the independence of the Board and to assist the Chairman in the discharge of his duties when the need arises. He is also available to address shareholders' concerns on issues that cannot be appropriately or adequately dealt with by the Chairman, the Managing Director (equivalent to the Chief Executive Officer) or the Financial Controller (equivalent to the Chief Financial Officer).

### **BOARD MEMBERSHIP (PRINCIPLE 4)**

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

#### **Nominating Committee**

The NC comprises the following Independent Directors, one of whom is the Lead Independent Director:

Chan Cher Boon (Chairman and Lead Independent Director)  
Francis Yau Thiam Hwa  
Tham Hock Chee

The NC meets at least once during each financial year. Attendances at NC meetings are provided on page 14.

The principal functions of the NC based on its terms of reference are:

- reviewing the Board structure, size and composition and making recommendations to the Board, where appropriate;

- determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;
- reviewing Board succession plans for directors, in particular, the Chairman and the Managing Director and key management personnel;
- making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;
- identifying suitable candidates and reviewing all nominations for appointment and re-appointment to the Board;
- implementing the process and criteria and assessing the effectiveness of the Board as a whole, the Board committees and the contributions of each individual Director to the effectiveness of the Board;
- deciding how the Board's and Board Committee's performance as well as the contribution of the Chairman and individual director of the Board may be evaluated and to propose objective performance criteria for Board approval;
- determining annually whether a Director is independent, bearing in mind the circumstances set forth in the 2018 Code and the Catalist Rules, and any other salient factors;
- reviewing training and professional development programmes for the Board; and
- determining whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple Board representations.

#### **Procedure for the Selection and Appointment of New Directors and the Re-appointment of Directors**

The NC has in place a process for the selection of new Directors and the re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfil its responsibilities.

Before making its recommendation to the Board, the NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Recommendations of the NC are then put to the Board for consideration. Any appointments to Board Committees are reviewed and approved at the same time. Upon such appointments, the NC will ensure that the new Director is briefed of his duties and obligations.

Pursuant to its terms of reference, the NC also determines on an annual basis whether or not a Director is able to and has been adequately carrying out his duties as a Director and particularly, where a Director has multiple board representations. As a guide, Directors of the Company should not have more than six listed company board representations and other principal commitments. In view of this and having considered the confirmations received from Mr Shi Jiangang, Mr Chan Cher Boon, Mr Francis Yau Thiam Hwa and Mr Tham Hock Chee, the NC has concluded that any such multiple Board representations and other principal commitments had not hindered each Director from carrying out his duties as a Director of the

Company and is satisfied that each of these Directors is able to devote adequate time and attention to fulfil his duties as Director of the Company, despite having multiple board representations and other principal commitments.

In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his independence. The Board has the discretion to accept or reject the NC's recommendation and its decision is final.

Regulation 91 of the Company's Constitution provides for one-third of the directors to retire from office by rotation at each Annual General Meeting ("AGM") and Regulation 97 provides for all newly-appointed Directors to retire at the next AGM following their appointments by the Board. Pursuant to Rule 720(4) of the Catalist Rules, the Company will also ensure that all directors (including managing directors) submit themselves for re-nomination and re-appointment at least once every three years. Currently, all Directors of the Company are subject to retirement by rotation at least once every three years under the Company's Constitution except for Mr Sam Kok Yin as under the Company's Constitution, the Managing Director is not subject to retirement by rotation. Nonetheless, in line with Rule 720(4) of the Catalist Rules, Mr Sam Kok Yin, the Managing Director of the Company will be submitting himself for re-election at the Company's forthcoming AGM.

The NC is responsible for the nomination of retiring Directors for re-election. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence.

Accordingly, each of Mr Sam Kok Yin and Mr Chan Cher Boon will retire by rotation pursuant to Regulation 91 of the Company's Constitution. The NC, having considered their contributions to the Company as well as Board processes, had recommended the nominations of these Directors for re-election at the forthcoming AGM.

Pursuant to Provision 4.4. of the 2018 Code, the NC had also reviewed the independence of Board members with reference to the guidelines set out in Provision 2.1 of the 2018 Code and the Catalist Rules. The NC is of the view that Mr Chan Cher Boon, Mr Francis Yau Thiam Hwa and Mr Tham Hock Chee are independent based on the definition and criteria set out in the 2018 Code and the Catalist Rules. Each of the Independent Directors has also confirmed his independence.

The recommendation of the NC for the nomination of the Directors for re-election was made to the Board. The Board had accepted the NC's recommendations and being eligible, each of Mr Sam Kok Yin and Mr Chan Cher Boon will be offering themselves for re-election at the forthcoming AGM.

#### **BOARD PERFORMANCE (PRINCIPLE 5)**

*The Board undertakes a formal annual assessment of its effectiveness as a whole and that each of its board committees and individual directors.*

The Board has, on the recommendation of the NC, established a set of objective performance criteria and process for evaluating the effectiveness of the Board and the Board Committees, as well as the contribution of each individual Director.

The NC has in place an annual Board performance evaluation to assess the effectiveness of the Board and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board performance evaluation is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning the Chairman/Key Management Personnel and standards of conduct of Board members being completed by the NC. The Board did not engage an external facilitator to conduct an assessment of the performance of the Board, the Board Committees and each Director for FY2020.

The results of the completed questionnaires are collated and the findings analysed and discussed by the NC, before reporting to the Board for discussion, evaluation and approval. Following such discussion and evaluation by the NC and Board, recommendations to further enhance the effectiveness of the Board are implemented, as appropriate.

An evaluation of the Board performance was conducted for FY2020. The evaluation exercise provided feedback from each NC member, his views on the Board, procedures, processes and effectiveness of the Board as a whole. The results of the evaluation exercise were reported to the Board for discussion and approval. The NC and the Board were satisfied with the overall results of the Board performance evaluation for FY2020. The NC would also continue to review its procedures and effectiveness from time to time.

For FY2020, the NC has also evaluated the performance of the Directors. To assess the contribution of each individual Director, the factors evaluated by the NC include but are not limited to:

- (a) his participation at the meetings of the Board;
- (b) his ability to contribute to the discussions conducted by the Board and to constructively challenge and contribute effectively to the Board;
- (c) his ability to evaluate the Company's strength and weaknesses and make informed business decisions;
- (d) his ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
- (e) his compliance with the policies and procedures of the Group;
- (f) his performance of specific tasks delegated to him;
- (g) his disclosure of any related person transactions or conflicts of interest; and
- (h) for Independent Directors, his independence from the Group and the Management.

With respect to FY2020, the results of the evaluation of the individual directors by the NC was compiled and reported to the Board for discussion and approval. The Board, together with the NC, have considered the performance of each individual Director and the Board to be satisfactory. For the avoidance of doubt, each member of the NC abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

For FY2020, the Board had also evaluated the performance of the AC, NC and RC. To assess the performance of each committee, the factors evaluated by the Board include but are not limited to:

- (a) the AC/NC/RC's ability to function properly and to discharge its responsibility effectively;
- (b) the AC/NC/RC's meetings are conducted in a manner that allows a frank and candid exchange of views;
- (c) there is strong support from Management in the preparation and submission of papers for discussion;
- (d) papers for meetings are distributed to members in advance and they do contain adequate details on issues for discussion;
- (e) members do have sufficient expertise and knowledge to ask searching questions and challenge Management on its judgement and findings on issues for discussion; and

- (f) AC/NC/RC will not hesitate to seek outside third party professional and expert advice as and when the need arises.

With respect to FY2020, the Board considered the performance of the AC, NC and RC to be satisfactory.

## **B. REMUNERATION MATTERS**

### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 6)**

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

#### **Remuneration Committee**

The RC comprises the following Independent Directors:

Tham Hock Chee (*Chairman*)  
Chan Cher Boon  
Francis Yau Thiam Hwa

The RC members (including the Chairman) are Independent Directors.

The RC meets at least once during each financial year. Attendances at RC meetings are provided on page 14.

The principal functions of the RC based on its terms of reference are:

- reviewing and recommending to the Board a framework of remuneration for the Board and Key Management Personnel, including employees related to the Executive Directors and controlling shareholders, and to ensure that the framework is competitive and sufficient to attract, retain and motivate Key Management Personnel of the required calibre to run the Company effectively;
- considering what compensation commitments in the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;
- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;
- reviewing and recommending the specific remuneration packages for each Director as well as for the Key Management Personnel;
- reviewing whether the Executive Directors and Key Management Personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and
- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

In reviewing and determining the remuneration packages, including termination terms, of the Executive Directors and Key Management Personnel, the RC shall consider, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and if the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent. The RC makes its recommendation to the Board which has the discretion to accept or vary the recommendations.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of the Directors and Key Management Personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for FY2020.

### **LEVEL AND MIX OF REMUNERATION (PRINCIPLE 7)**

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

The remuneration structure of the Executive Directors and Key Management Personnel includes where applicable, a direct performance-based variable component which forms a significant and appropriate proportion of their remuneration. This is in line with both market and best practices of structuring a proportion of Key Management Personnel's remuneration to be directly linked to corporate and individual performance. The variable bonus is aligned with the interests of shareholders and other stakeholders and promotes the long term success of the Company.

The Company had entered into service agreements with Mr Shi Jianguang and Mr Sam Kok Yin in respect of their appointment as Executive Chairman and Managing Director of the Company respectively whilst the service agreement with Mr Jiang Hao in respect of his appointment as Executive Director was entered into via the Company's wholly-owned subsidiary, Orient-Salt Chemicals Pte. Ltd. (each a "**Service Agreement**"). A "claw-back clause" is included in the Service Agreement for Mr Shi Jianguang and Mr Sam Kok Yin to be in line with the recommendations under the 2018 Code, to allow the Company to deduct from the remuneration payable under each Service Agreement any sum due to the Company including, but not limited to, any damage or loss to the Company caused by the respective appointee. As at the date of this Annual Report, Mr Jiang Hao's Service Agreement does not contain any "claw-back clause" and the Company will undertake a review of Mr Jiang Hao's Service Agreement at an appropriate time in the future to determine if any "claw-back clause" should be included.

Annually, the Board submits a proposal for payment of Directors' fees as a lump sum for shareholders' approval at the Company's AGM. The payment of Directors' fees takes into account individual contribution including attendance at various meetings and time spent and responsibilities held at the Board Committees level. This sum is paid to the Non-Executive Directors with those having additional responsibilities as members of Board Committees or Lead Independent Director receiving a higher portion of the approved fees, and the remuneration of Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

The Board has proposed Directors' fees amounting to approximately S\$99,000 for FY2020 (FY2019: S\$99,000). RC members abstain from deliberation in respect of their own remuneration.

The Company ensures that its remuneration structure is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and Key Management Personnel to successfully manage the Company for the long term.

### **DISCLOSURE ON REMUNERATION (PRINCIPLE 8)**

*The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.*

#### **Remuneration of Directors**

Provision 8.1 requires disclosure of the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (i) each individual director and the CEO; and (ii) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel. The policy and criteria used in setting the level of remuneration is based on various factors including performance of the Group,

industry practices and the individual's performance and contributions towards achievement of corporate objectives and targets.

In respect of the amounts and breakdown of the remuneration, after careful deliberation and taking into consideration the confidential nature and sensitivity of remuneration matters, the relative size of the Group as well as the competitive business environment in which the Group operates in, the total remuneration of each Director has not been disclosed in dollar terms. Further, as the disadvantages which would be caused to the Group's business interest would far outweigh the benefits of such disclosure and in view of the sensitivity of remuneration matters as well as to avoid recruitment and talent retention issues and to maintain the confidentiality of the remuneration package of the Key Management Personnel, the aggregate remuneration of the Key Management Personnel (who are not Directors) has not been disclosed in dollar terms. In view of the aforementioned reasons, the Company believes that the interest of shareholders will not be prejudiced as a result of such non-disclosure of the total remuneration in dollar terms for the Directors as well as for Key Management Personnel.

Details of the remuneration paid/payable by the Company and the Group to the Directors for FY2020 in bands no wider than S\$250,000 are approximately as follows:

	Name of Directors	FY2020			
		Salary (Including CPF)	Fees	Bonus (Including CPF)	Other Benefits
<b>Below S\$500,000 but above S\$250,000</b>	Shi Jiangang <sup>(1)</sup>	100%	0%	0%	0%
	Sam Kok Yin <sup>(1)</sup>	92.2%	0%	0%	7.8%
	Jiang Hao	54.0%	0%	32.3%	13.7%
<b>Below S\$250,000</b>	Chan Cher Boon	0%	100%	0%	0%
	Francis Yau Thiam Hwa	0%	100%	0%	0%
	Tham Hock Chee	0%	100%	0%	0%

Note:

<sup>(1)</sup> Mr Shi Jjiangang and Mr Sam Kok Yin's remuneration comprises a performance based variable component. However, no variable component was declared for FY2020 as the Group was not in a profit position.

#### Remuneration of top Key Management Personnel (who are not Directors)

In addition to the Executive Directors, the Company had one Key Management Personnel (who is not a Director) during FY2020. The breakdown of her remuneration paid/payable by the Company and the Group in bands no wider than S\$250,000 is set out below:

Remuneration below S\$250,000	FY2020			
	Salary (Including CPF)	Bonus (Including CPF)	Other Benefits	Total
Tan Pei Shan	88.5%	11.5%	0%	100%

The remuneration of the Key Management Personnel (who are not Directors) did not exceed S\$250,000.

## Remuneration of Employees who are Immediate Family Members of a Director or the CEO

Remuneration above S\$250,000 and up to S\$300,000	FY2020			
	Salary (Including CPF)	Bonus (Including CPF)	Other Benefits	Total
Jiang Jie	100%	0%	0%	100%

During FY2020, there was one employee who is related to a Director and who was in the employment of Touen Japan Co., Ltd., a subsidiary of Orient-Salt Chemicals Pte. Ltd., a wholly-owned subsidiary of the Company. Mr Jiang Jie is a director of Touen Japan Co., Ltd., and is Mr Jiang Hao's brother. Mr Jiang Jie's remuneration exceeded S\$250,000 but not S\$300,000 for FY2020.

Save as above, the Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year.

The remuneration of this employee has not been disclosed in dollar terms given the sensitivity of remuneration matters and to maintain the confidentiality of the remuneration package of this employee.

The Company currently does not have any long-term incentive scheme or employee share option scheme.

## C. ACCOUNTABILITY AND AUDIT

The Board endeavours to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

### RISK MANAGEMENT SYSTEM AND INTERNAL CONTROLS (PRINCIPLE 9)

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

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board is responsible for ensuring that there is a sound internal control system (including financial, operational, compliance and information technology controls) and effective risk management system to provide reasonable assurance to safeguard shareholders' investments and the Group's assets.

The Group's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organisation and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedure.

The Board, with the assistance of the AC, is responsible for overseeing the internal controls and risk management of the Group and the Board of Directors, with the assistance of the internal and external auditors, reviews the adequacy of the Company's internal control systems, including financial controls, operational control, IT controls and compliance controls, and risk management policies and systems established by the Management on an annual basis.

The internal auditors and external auditors have, during the course of their audit, carried out a review of the effectiveness of key internal controls within the scope of their audit. Non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC.

It was noted that there were no systemic issues to be highlighted. The AC has reviewed the internal auditors and external auditors' comments and findings to ensure that there are adequate internal controls in the Group and follow up on actions implemented in their next audit review.

In line with the 2018 Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement (“**Management Assurance Statement**”) since May 2013, confirming that the financial records of the Company have been properly maintained, the Company’s financial statements give a true and fair view of the Company’s operations and finances and an adequate and effective risk management and internal control system has been put in place. The Management Assurance Statement would be signed by the Managing Director (equivalent of the Chief Executive Officer) and the Financial Controller (equivalent of the Chief Financial Officer) of the Company and tabled at each full year meeting. Consequent to the above, the AC had reviewed and the Board had received the duly signed Management Assurance Statement for FY2020 from the Managing Director (equivalent of the Chief Executive Officer) and the Financial Controller (equivalent of the Chief Financial Officer) of the Company.

The Board has also received assurance from the Managing Director (equivalent of the Chief Executive Officer) and Financial Controller (equivalent of the Chief Financial Officer) of the Company, being the key management personnel responsible, regarding the adequacy and effectiveness of the Company’s risk management and internal control systems.

In view of the above and as required under Rule 1204(10) of the Catalist Rules, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by the Management, various Board Committees and the Board in respect of the internal controls (including financial, operational, compliance and information technology controls) and the risk management system, the Board with the concurrence of the AC is satisfied with the adequacy and effectiveness of the Group’s internal controls (including financial, operational, compliance and information technology control) and risk management systems in the Group for FY2020.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review of the Group’s internal control systems is a concerted and continuing process.

On a half-yearly basis, the AC reviews interested person transactions (“**IPTs**”).

### **Risk Management Policies and Processes**

The Board currently does not have in place a Risk Management Committee. However, the Board considers risk management as an ongoing process and reviews the Group’s business and operational activities on a regular basis to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks to safeguard the assets of the Company and its business viability. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

The key risks which have been identified and are monitored and managed by the AC and Management and the Board as a whole include, without limitation, the following:

#### **(i) Fall in prices of inventories**

Chemicals costs are also subject to fluctuations determined by supply and demand for the material in the global market. To the extent possible, the Group tries to mitigate such risks by passing on this risk to its customers through entering into contracts with suppliers and customers.

**(ii) Foreign currency risk**

The Group is exposed to foreign exchange fluctuations as a significant percentage of its sales are exports and denominated in foreign currencies. To mitigate adverse fluctuations in exchange rates, the Group monitors its foreign currencies transactions to determine if an appropriate functional currency for each entity of the Group has been used and whether an appropriate presentation currency has been used for the Group. The Group also utilises currency futures and forward contracts to hedge foreign currency transactions.

**(iii) Credit risk**

The Group is subject to intense competition in securing new orders and is exposed to credit risk arising from trade receivables. To minimise exposure to bad debts, the Group monitors receivables on an ongoing basis and where possible, uses factoring and credit insurance, request customers for letters of credit or advance payment to mitigate credit risk.

More information on the Group's risk management policies is provided in 'Notes to the Financial Statements' on pages 112 to 119 of this annual report.

**AUDIT COMMITTEE (PRINCIPLE 10)**

*The Board has an Audit Committee which discharges its duties objectively.*

The AC comprises the following Independent Directors:

Francis Yau Thiam Hwa (*Chairman*)

Chan Cher Boon

Tham Hock Chee

The Chairman of the AC, Mr Francis Yau Thiam Hwa, has extensive background in financial and risk management and is currently the chief financial officer of another Catalist listed company in Singapore. All the AC members, having recent accounting or related financial and business management expertise or experience, are appropriately qualified to discharge their responsibilities. None of the members of the AC are a former partner or director of the Company's existing auditing firm or auditing corporation.

The AC is required by its own terms of reference to meet at least twice a year. Attendances at AC meetings are provided on page 14. The AC meets separately with the internal and external auditors without the presence of Management at least once each year.

Based on its terms of reference, the AC carried out the following functions:

- reviewing with the internal and external auditors their audit plan, evaluation of the system of internal controls, audit report, letter to the Management and the Management's response thereto;
- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing the Company's half-year and full year financial statements and announcements including audited financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, going concern statement, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;
- reviewing the internal control procedures, ensure co-ordination between the internal and external auditors, co-operation from the Management and assistance given to facilitate their respective audits;

- discussing issues and concerns, if any, arising from the interim and final audits, and any matters which the internal and external auditors may wish to discuss in the absence of the Management, where necessary;
- reviewing and discussing with the external auditors any suspected fraud irregularity or suspected infringement of any relevant laws, rules or regulations which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response thereto;
- ensuring that the internal audit function is adequately resourced and staffed with persons who have the relevant qualifications and experience;
- reviewing annually the adequacy, scope and results and cost effectiveness of the audit, independence, objectivity and performance of the external auditors and internal audit function;
- reviewing the internal controls and risk management of the Company and assessing annually the scope and results of the internal controls and risk management system including the adequacy and effectiveness of the internal audit function;
- reviewing the assurance from the Managing Director and the Financial Controller on the financial records and financial statements;
- reviewing the scope and results of the internal audit function and ensuring co-ordination between the internal and external auditors and the Management;
- making recommendations to the Board on the appointment, re-appointment, resignation and removal of the internal and/or external auditors, including approving the remuneration and terms of engagement of the external auditors;
- reviewing interested person transactions in accordance with the Catalist Rules;
- reviewing potential conflicts of interests, if any;
- reviewing whistle-blowing arrangements by which, staff of the Company or of the Group or any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters, and to conduct an independent investigation of such matters for appropriate follow up action;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertaking such other functions and duties as may be required by statute or Catalist Rules, or by such amendments as may be made from time to time.

The AC has the authority to investigate any matter within its terms of reference. The AC has full access to the Management and also has full discretion to invite any director or executive officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

The AC meets with the Group's internal auditors and Foo Kon Tan LLP ("**FKT**"), the external auditors, and the Management, to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

For FY2020, the AC had:

- (i) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;

- (ii) met up with the internal and external auditors, without the presence of the Management, to review and discuss the findings set out in their respective reports to the AC. Both the internal and external auditors confirmed that they had received the full cooperation of the Management and no restrictions were placed on the scope of audit;
- (iii) reviewed and approved the consolidated statement of comprehensive income, statements of financial position, consolidated statement of changes in equity, consolidated cash flows and auditors' reports;
- (iv) reviewed the audit services provided by FKT during FY2020. Audit fees amounting to S\$88,000 are to be paid to FKT for FY2020. No non-audit fees were paid to FKT for the provision of non-audit services to the Group during FY2020. FKT had also confirmed their independence in this respect;
- (v) confirmed that the Company had complied with Rule 712 of the Catalist Rules in relation to the appointment of a suitable auditing firm to meet its audit obligations.

FKT, the appointed auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority in Singapore. With eleven partners, FKT currently has total staff strength of about 220. Mr Chang Fook Kay is the audit partner in charge of the Group for FY2020.

Having considered the Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority and the various factors including, amongst others, the adequacy of the resources and experience of FKT and the audit engagement partner assigned to the audit, FKT's other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff who were assigned to the audit of the Group, the AC was satisfied that the resources and experience of FKT, the Audit Engagement Partner and his team assigned to the team were adequate; and

- (vi) confirmed that the Company had complied with Rule 715 of the Catalist Rules in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries. The Group's subsidiaries are disclosed under Note 5 of the Notes to the Financial Statements on page 80 to page 81 this annual report.

The AC is kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements by way of updates given by the external auditors at every AC meeting.

In the review of the financial statements, the AC discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matter had also been included in the external auditors' report under "Key Audit Matters", namely, the valuation of put and call option and investment in Shanghai Sunrise Polymer Material Co. Ltd., the valuation of the Company's and Group's buildings on leasehold land. Based on its review as well as discussion with the Management and the external auditors, the Audit Committee is satisfied that those matters, including the three key audit matters, have been properly dealt with and recommended the Board to approve the financial statements for FY2020 and the Board has approved the same.

The AC, with the concurrence of the Board, had recommended the re-appointment of FKT as external auditors of the Company at the Company's forthcoming AGM.

The Company has a whistle-blowing policy, which was adopted in May 2007 and which comes under the purview of the AC, to provide well-defined and accessible channels in the Group through which employees of the Group may in confidence, raise their concerns about possible improprieties, fraudulent activities and malpractices within the Group in a responsible and effective manner in matters of financial reporting or other matters ("**Whistle Blowing Policy**"). The Whistle Blowing Policy had been updated in November 2013 to extend to "any other persons" in addition to all employees of the Group, in line with the 2018 Code. The objective of the Whistle Blowing Policy is to ensure that arrangements and processes are in place to facilitate independent investigation of such concerns and for appropriate follow-up action. There were no whistle blowing reports received in FY2020.

## **INTERNAL AUDIT (RULE 719(3) OF THE CATALIST RULES)**

*The company must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Company has established and maintains on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. The Company has outsourced its internal audit functions to an independent consulting firm, One e-Risk Services Pte. Ltd. (“**One e-Risk**”). The internal auditors (“**IA**”) carry out their functions under the direction of the AC, and report their findings and recommendations directly to the AC.

One e-Risk is headed by Mr Chen Yeow Sin, who is a Fellow practising member of The Institute of Singapore Chartered Accountants and non-practising Fellow member of The Institute of Chartered Accountants in England and Wales. Prior to heading One e-Risk internal audit, he was the South-East Asia internal audit manager for three years for a US energy and resource company. The South-East Asia subsidiaries employed over 4,000 staff. He was responsible for the financial, operational, joint ventures, compliance and conflicts of interest audit of the Southeast Asia business units.

One e-Risk is a member of The Institute of Internal Auditors (“**IIA**”) and meets the standards set by internationally recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by IIA. It is a full-resourced service provider of internal audit, corporate governance and risk management services supported by the team manager who has 20 years of auditing and accounting experience. The team manager is a Certified Internal Auditor, Certified Risk Management Assurance and Chartered IIA Practitioner. One e-Risk’s industry experience includes, building & construction property development & management, leisure and hospitality, manufacturing & engineering, oil & gas, trading, distribution and retailing, logistics management, mining & forestry, etc. One e-Risk is currently serving clients primarily listed on SGX-ST and a few privately held entities, ranging from multi-national companies to local small medium enterprises in a wide range of industries.

The IA has unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC and has appropriate standing within the Company.

The role of the IA is to support the AC in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigation as directed by the AC.

The IA shall remain independent of management and shall report directly to the Chairman of the AC. The IA shall be responsible for the preparation of internal audit plans to be reviewed and approved by the AC.

The AC meets at least once annually to ensure the adequacy of the internal audit functions. The AC reviewed and approved the internal audit plan proposed by the IA.

For FY2020, the AC had reviewed the adequacy of the IA and is satisfied with the IA independence and is also satisfied that the internal audit function is effective, adequately resourced and independent for FY2020.

## **D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES**

### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS (PRINCIPLE 11)**

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

The shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Act, the Board’s policy is that all shareholders should be informed regularly and on a timely basis of all major developments that impact the Group.

The Group believes in encouraging shareholder participation at general meetings by providing them with the opportunity to participate effectively in and vote at general meetings and informing them of the rules governing general meetings of shareholders. As such, shareholders are given the opportunity to express their views and to raise queries to the Board and the Management regarding the proposed resolutions and on matters relating to the operations of the Group during these meetings. The Chairman of each of the AC, NC, and RC are also present at the meetings to attend to questions raised by shareholders. The Company's external auditors are invited to attend the Company's AGMs and will assist the Directors in addressing relevant queries relating to the conduct of the audit and the preparation and content of the external auditors' report. The attendance of the Directors of the Company at the Company's general meetings held during FY2020 are reflected in the table below:

Name of Director	General Meetings
<b>Number of meetings held:</b>	1
<b>Number of meetings attended:</b>	
Mr Shi Jiangang	1
Mr Sam Kok Yin	1
Mr Jiang Hao	1
Mr Chan Cher Boon	1
Mr Francis Yau Thiam Hwa	1
Mr Tham Hock Chee	1

The Board encourages shareholder participation at AGMs and welcomes constructive views on matters affecting the Company. The Board (including the Chairman of the respective Board Committees) and the Management endeavours to attend the Company's AGMs to address any questions that shareholders may have.

Each distinct issue is proposed as a separate resolution at the general meeting unless the issues are interdependent and linked so as to form one significant proposal. The Company will ensure that where the resolutions are linked, the reasons and material implications will be stated in the notice of meeting.

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend these meetings, he/she (save for Relevant Intermediaries (as defined under the Act) who are entitled to appoint multiple proxies) is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Company's annual reports or circulars. The duly completed and original proxy form is required to be submitted not less than 72 hours before the shareholders' meeting and deposited at the registered office of the Company. As Shareholders are unable to attend the forthcoming AGM in person, under the COVID-19 (Temporary Measures) Act 2020 (the "**COVID-19 Act**") and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Order**") which is applicable for the period 27 March 2020 to 30 June 2021, the forthcoming AGM will be held by way of electronic means and Shareholders are able to vote by appointing the Chairman of the AGM as proxy to vote on their behalf.

In line with the Catalist Rules, the Company conducts its voting by poll at its general meetings.

The Company Secretaries prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and the corresponding responses from the Board and the Management. Such minutes are available to shareholders upon their written requests. These minutes are published on the Company's corporate website as soon as practicable.

Results of the general meeting are also released as an announcement via SGXNET, detailing the number of votes cast for and against each resolution as well as the respective percentages.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. In compliance with Rule 704(24) of the Catalist Rules, in the event that the Board decides not to declare or recommend a dividend, the Company will expressly disclose the reason(s) for the decision together with the announcement of the relevant financial statements. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. No dividends were declared or paid by the Company in FY2020 in view of the Group's loss for the year.

### **ENGAGEMENT WITH SHAREHOLDERS (PRINCIPLE 12)**

*Company communicates regularly with its Shareholders and facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company.*

The Board is mindful of its obligation to provide full, accurate and timely disclosure of material information in accordance with the Catalist Rules. Half-yearly and full-year financial results are announced to shareholders and the public through the SGXNET. The annual report or circular(s) are published and sent to all shareholders on a timely basis. The notice of AGM is dispatched to shareholders with the annual report (together with explanatory notes or a circular/letter to shareholders on items of special business, if applicable) at least 14 days before the AGM if ordinary resolutions are to be transacted at the meeting or at least 21 days before a general meeting if special resolutions are to be transacted at such general meeting. Notices of the Company's AGMs are announced via newspaper publications and the SGXNET. Following the passing of the COVID-19 Act and the COVID-19 Order and which is applicable for the period 27 March 2020 to 30 June 2021, the Company will be uploading electronic copies of the FY2020 Annual Report, Notice of AGM and Proxy Form for the forthcoming AGM via SGXNET and on the Company's website for Shareholders viewing. The Company will not be despatching printed copies of the Annual Report, Notice of AGM and Proxy Form to Shareholders. The Company does not practice selective disclosure. In the event that there is any inadvertent disclosure made to a select group, the Company would also make the same disclosure publicly to all others as promptly as possible via an announcement on SGXNET.

In addition, the Company endeavours to maintain constant and effective communication with Shareholders through timely and comprehensive announcements of material and price-sensitive information that are disseminated through SGXNET. Question and Answer sessions are also held at AGMs and extraordinary general meetings to address shareholders' questions and at the same time, understand their views. Due to the COVID-19 pandemic in Singapore, Shareholders will not be allowed to attend the forthcoming AGM in person. Instead, following the passing of the COVID-19 Act and the COVID-19 Order, alternative arrangements have been put in place to allow Shareholders to participate in the forthcoming AGM by (a) watching the AGM proceedings via "live" webcast or listening to the AGM proceedings via "live" audio feed, (b) submitting questions in advance of the AGM, and/or (c) appointing the Chairman of the AGM as proxy to vote on their behalf at the AGM. In summary, the Group's material development and information are disclosed in:

- (i) the Company's announcement of periodic financial results on the SGXNET;
- (ii) notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings; and
- (iii) circular or letters to shareholders to provide the shareholders with more information on its major transactions.

Provision 12.2 requires the implementation of an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. However, after taking into account the relative size and operations of the Company, the Company has not and currently does not have an investor relations policy but considers advice from its

corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board recognises the need to furnish timely information to shareholders and keeping in line with the intent of Principle 12, the Board ensures full disclosure of material information at all times so as to allow shareholders to form a view of the Company's developments as well as to actively engage and promote effective and fair communication with shareholders, and to facilitate their participation during general meetings and other dialogues. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arise in the future.

Shareholders of the Company may contact the Company at the email address and contact number set out in the section entitled "Corporate Information" of this Annual Report to express any concerns and views on matters relating to the Company. The Company also maintains a website (<https://abundance.com.sg/>) which allows the public to be aware of the Group's latest development and businesses.

## **E. MANAGING STAKEHOLDERS RELATIONSHIPS**

### **ENGAGEMENT WITH STAKEHOLDERS (PRINCIPLE 13)**

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

In the execution of its duties, the Board does not only consider the Company's obligations to its shareholders but also the interests of its material stakeholders. The relationships with material stakeholders may have an impact on the Company's long term sustainability. In this regard, the Company has liaised with management and key stakeholders including employees, government and regulators, investors and shareholders, business partners, customers and bankers to determine the material sustainability factors. The Company also ensures that the Group's business objectives are in line with its sustainability commitment.

The Company relies on the sustainability report to engage stakeholders, and the information on the Company's arrangements to identify and engage with its material stakeholder groups and to manage its relationships with such groups, as well as its strategy and key areas of focus in relation to the management of stakeholder relationships will also be set out in the sustainability report. The Company's sustainability report for FY2020 will be published on or before 31 May 2021. The Company also maintains its corporate website which may be accessed by stakeholders at: <https://abundance.com.sg/>.

### **Dealings in the Company's Securities**

The Company had adopted a Code of Best Practice on Securities Transactions to provide guidance to its directors, officers and employees with regard to dealings in the Company's securities and implications of Insider Trading in compliance with Rule 1204(19) of the Catalist Rules. Under the provisions of the Code of Best Practice on Securities Transactions, the window period for dealing in the Company's securities is closed before the release of the results announcement.

As the Company does not fall within any of the categories in Rule 705(2) of the Catalist Rules, it is not required to announce quarterly results. As such, the "closed window period" only applies before the release of half-yearly and full-year results announcement.

Directors, officers and employees are not permitted to deal in the securities of the Company during the "closed window period", which is one month before the release of half-yearly and full-year results, or when they are in possession of price-sensitive information. Dealing may resume a day after the release of the said announcement.

In addition, the Directors, key officers and employees of the Group are discouraged from dealing in the Company's securities on short-term considerations. The Group confirmed that it had adhered to its Code of Best Practice on Securities Transactions.

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that transactions with interested persons are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The AC and the Board had reviewed all interested person transactions for FY2020 and were satisfied that the transactions were conducted at arm's length. It was noted that save as described in the table below, the IPTs entered into by the Company in FY2020 were within the threshold limits set out under Chapter 9 of the Catalyst Rules and no announcements or shareholders' approval was, therefore, required.

The Company had obtained shareholders' approval for the renewal of an IPT mandate (the "IPT Mandate") for FY2020 at the AGM of the Company held on 23 June 2020 in respect of transactions that may be entered into between the Group and the following entities which Mr Shi Jiangan is interested in:

- (a) Jiangsu Feixiang Chemical Co., Ltd. (江苏飞翔化工股份有限公司);
- (b) Kellin Chemicals (Zhangjiagang) Co., Ltd. (凯凌化工(张家港)有限公司);
- (c) Jiangsu Feymer Technology Co., Ltd. (江苏富淼科技股份有限公司);
- (d) Nantong Boyi Chemicals Co., Ltd. (南通博亿化工有限公司);
- (e) Jiangsu Feymer Membrane-Tech Co., Ltd. (江苏富淼膜科技有限公司);
- (f) Suzhou Gelan Resin Materials Technology Co., Ltd. (苏州歌蓝树脂材料科技有限公司);
- (g) Suzhou Juwei Environmental Technology Co., Ltd. (苏州聚微环保科技有限公司);
- (h) Suzhou Jinqu Environmental Technology Co., Ltd. (苏州金渠环保科技股份有限公司);
- (i) Jiangsu Fopia Chemicals Co., Ltd. (江苏富比亚化学品有限公司);
- (j) Qingdao Fusilin Chemical Science and Technology Co., Ltd. (青岛富斯林化工科技有限公司);
- (k) Yancheng Hengsheng Chemicals Co., Ltd. (盐城恒盛化工有限公司);
- (l) Shanghai Tiantan Auxiliaries Co., Ltd. (上海天坛助剂有限公司);
- (m) Dalian Keduo Envirotech Co., Ltd. (大连科铎环境科技有限公司); and
- (n) Zhongke Catalyst New Technology (Dalian) Co., Ltd. (中科催化新技术(大连)股份有限公司).

Further details of the IPT Mandate are set out in the Letter to Shareholders dated 1 June 2020.

The Company had entered into transactions pursuant to the IPT Mandate during FY2020.

Details of IPTs (excluding transactions less than S\$100,000) of the Group for FY2020 are as follows:

Name of interested person	Nature of Relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000
Kellin Chemicals (Zhangjiagang) Co., Ltd. (凯凌化工(张家港)有限公司) Sales and purchases of chemicals	A company owned by an associate of Mr Shi Jiangan, the Executive Chairman of the Company	-	73,221

Name of interested person	Nature of Relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		S\$'000	S\$'000
Shanghai Orient-Salt Chemicals Co., Ltd. (上海东盐化工有限公司) Rental of office	A company owned by Mr Jiang Hao, a Director of the Company	150	-

The Company will not be seeking renewal of the IPT Mandate at the upcoming Annual General Meeting.

## MATERIAL CONTRACTS

There were no material contract entered into by the Company and its subsidiaries which involved the interests of any director or controlling shareholder during FY2020 save for the transactions set out in the “Interested Person Transactions” section above.

## CORPORATE SOCIAL RESPONSIBILITY

The Group advocates good environmental practices. In line with the concerns of global warming, the Group has undertaken environmentally-friendly measures to reduce energy usage and office consumables. We strive to reduce paper usage by encouraging employees to print on both sides of the paper and print documents only when necessary. We also encourage employees to recycle all used paper and use recycled materials where possible.

Employees are also encouraged to reduce power consumption. Electrical devices are required to be switched off when not in use and lights in the premises appropriately dimmed or switched off after office hours.

We are working to raise the level of awareness of good environmental practices amongst employees and will continue to step up recycling and energy conservation efforts in our operations and business.

In accordance with the Catalist Rules, the Group will issue its Sustainability Report on or before 31 May 2021 and upload the full Sustainability Report on SGXNET and on the Company’s website.

## CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. Stamford Corporate Services Pte. Ltd. (“**Stamford**”) is the current continuing sponsor of the Company. In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to Stamford for FY2020.

## SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Catalyst Rules requires Singapore-listed companies to describe their corporate governance practices with specific reference to the 2018 Code in their annual reports for the financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the 2018 Code.

### Board Matters

#### The Board's Conduct of Affairs

##### Principle 1

Provision 1.1	Page 12
Provision 1.2	Page 14 and 15
Provision 1.3	Page 13
Provision 1.4	Page 13, 19, 23 and 28
Provision 1.5	Page 14 and 20
Provision 1.6	Page 14
Provision 1.7	Page 14

#### Board Composition and Guidance

##### Principle 2

Provision 2.1	Page 16
Provision 2.2	Page 16
Provision 2.3	Page 16
Provision 2.4	Page 16 and 17
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#### Chairman and Chief Executive Officer

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### **Engagement with Stakeholders**

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## **Directors' statement** for the financial year ended 31 December 2020

We are pleased to present this statement to the members together with the audited financial statements of Abundance International Limited (“the Company”) and its subsidiaries (“the Group”) and the statement of financial position of the Company for the financial year ended 31 December 2020.

In our opinion,

- (a) the consolidated financial statements of the Group and statement of the financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

### **Directors**

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

Shi Jiangan (Chairman)  
Sam Kok Yin (Managing Director)  
Jiang Hao (Executive Director)  
Chan Cher Boon (Lead Independent Director)  
Francis Yau Thiam Hwa (Independent Director)  
Tham Hock Chee (Independent Director)

### **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 was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other corporate body.

### **Directors' interests in shares or debentures**

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, 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:

**Directors' statement for the financial year ended 31 December 2020**

**Directors' interests in shares or debentures (Cont'd)**

	Holdings registered in the name of director		Holdings in which director deemed to have an interest	
	As at 1.1.2020	As at 31.12.2020	As at 1.1.2020	As at 31.12.2020
The Company				
<i>Number of ordinary shares</i>				
Shi Jiangang <sup>(2)</sup>	-	-	238,405,706	238,405,706
Sam Kok Yin <sup>(3)</sup>	99,322,700	99,715,700	10,159,000	559,000
Jiang Hao	117,600,000	117,600,000	-	-
<i>Aggregate principal amount of Zero Coupon Bonds <sup>(1)</sup></i>				
	S\$	S\$	S\$	S\$
Shi Jiangang	4,768,114	4,768,114	-	-
Sam Kok Yin <sup>(3)</sup>	2,505,512	2,505,512	203,180	203,180
Jiang Hao	2,352,000	2,352,000	-	-

	Holdings registered in the name of director			Holdings in which director deemed to have an interest		
	As at 1.1.2020	As at 31.12.2020	As at 21.01.2021	As at 1.1.2020	As at 31.12.2020	As at 21.01.2021
The Company						
<i>Number of European Warrants <sup>(1)</sup></i>						
Shi Jiangang <sup>(2)</sup>	-	-	-	238,405,706	238,405,706	238,405,706
Sam Kok Yin <sup>(3)</sup>	127,936,800	146,356,700	147,506,700	10,159,000	10,159,000	10,159,000
Jiang Hao	117,600,000	117,600,000	117,600,000	-	-	-

Notes:

- (1) On 17 June 2016, the Company announced a renounceable non-underwritten rights issue of up to S\$12,855,000 in principal amount of zero coupon bonds due 2021, with principal amount of S\$0.02 and at an issue price of S\$0.016 for each zero coupon bond, with up to 642,750,000 free detachable European Warrants (the "Warrants"), with each Warrant carrying the right to subscribe for one new ordinary share at an exercise price of S\$0.02 each, on the basis of one Bond of principal amount of S\$0.02 each with one free Warrant for every existing share in the capital of the Company. 642,750,000 zero coupon bonds with Warrants had been allotted and issued on 31 January 2017.
- (2) Mr. Shi Jiangang, the Chairman of the Company, is deemed interested in 238,405,706 ordinary shares and 238,405,706 Warrants held by his daughter.
- (3) Mr. Sam Kok Yin, the Managing Director of the Company, is deemed interested in 559,000 ordinary shares, the S\$203,180 aggregate principal amount of zero-coupon bonds and the 10,159,000 Warrants held by his wife, Ms. Tan Hui Har.

Mr. Shi Jiangang, Mr. Sam Kok Yin and Mr. Jiang Hao, by virtue of the provisions of Section 7 of the Act, are deemed to have an interest in shares of the Company and its related corporations.

Except as disclosed in this report, there was no change to any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2021.

## **Share Options**

### **Call option over 40% subsidiary shares**

The Company had on 14 March 2018 entered into a Put and Call Option Agreement (the "PCOA") with Mr. Shi Jiangang in relation to a newly incorporated subsidiary, Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd. ("Orient-hill") in conjunction with the RMB2.4 million interest-free loan granted by Mr. Shi Jiangang to the Company (the "interest-free loan") on the same date.

The interest-free loan is repayable on 13 March 2022 and provides Mr. Shi Jiangang with the right to convert the interest-free loan into 40% equity interest in the shares of Orient-hill (the "40% Subsidiary Shares") (the "Call Option"), held by the Company at any time between 13 March 2019 to 13 March 2022 (the "Option Period"). In addition, under the PCOA, Mr. Shi Jiangang has granted a put option to the Company which provides the Company with the right to put the 40% Subsidiary Shares to Mr. Shi Jiangang over the Option Period subject to the terms and conditions of the PCOA (the "Put Option"). Refer to Note 5 of the financial statements for further details.

No options to take up unissued shares of Company or any subsidiaries have been granted during the financial year.

There were no unissued shares of any subsidiaries under option as at 31 December 2020.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

## **Audit Committee**

The Audit Committee at the end of the financial year comprises the following members:

Francis Yau Thiam Hwa (Chairman)  
Chan Cher Boon  
Tham Hock Chee

The Audit Committee performs the functions specified in Section 201B (5) of the Act, the Singapore Exchange ("SGX") Listing Manual and the Code of Corporate Governance. In performing these functions, the Audit Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditor. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the half yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational, compliance controls and information technology controls and risk management system via reviews carried out by the internal auditors;

**Audit Committee (Cont'd)**

- (v) met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by Management, various Board Committees and the Board, the Board with the concurrence of the Audit Committee are of the opinion that the Group's internal controls addressing financial, operational, information technology, compliance risks and risk management systems, were adequate and effective as at 31 December 2020.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditor for the Company and subsidiaries, Rules 712, 715 and 716 of the Listing Manual issued by SGX-ST have been complied.

**Sponsorship**

The Company is currently under the Singapore Exchange Securities Trading Limited ("SGX-ST") Catalyst sponsor-supervised regime. The continuing sponsor of the Company is Stamford Corporate Services Pte. Ltd.

There are no non-sponsor fees paid to the sponsor by the Company for the financial year ended 31 December 2020.

**Independent auditor**

The independent auditor, Foo Kon Tan LLP, has expressed its willingness to accept re-appointment.

On behalf of the Directors

.....  
Sam Kok Yin

.....  
Jiang Hao

Dated: 19 March 2021

# Independent auditor's report to the members of Abundance International Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Abundance International 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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

## Independent auditor's report to the members of Abundance International Limited (Cont'd)

### Key Audit Matters (Cont'd)

Valuation of put and call options and investment in Sunrise	Audit Response/ Procedures
<p><u>Risk Identified</u></p> <p>As stated in Note 5 to the accompany financial statements, in connection with the joint venture agreement, the put and call options have been classified and designated as derivative financial assets and liabilities as disclosed in Note 16.</p> <p>As stated in Note 6 to the accompany financial statements, the Group's financial asset classified at fair value through other comprehensive income in Shanghai Sunrise Polymer Material Co. Ltd. ("Sunrise") amounted to US\$5,910,000 (2019: US\$3,984,000) and is measured at fair value as at 31 December 2020.</p> <p>Management engaged an independent professional valuer (the "Independent Valuer") in determining the fair value of the above financial instruments.</p> <p>We have identified the valuation of the put and call options and the investment in Sunrise as a Key Audit Matter as the valuation requires significant management judgement and estimation.</p>	<p>Our audit procedures in addressing the valuation of the put and call options, and investment in Sunrise included among others:</p> <ul style="list-style-type: none"> <li>- we obtained and reviewed the terms and conditions of the put and call options agreement and the Sunrise subscription agreement;</li> <li>- we reviewed the nature and appropriateness of management's classification of the derivative financial assets and liabilities of the put and call options and the investment in Sunrise against the relevant accounting standards;</li> <li>- we assessed the competency, capability and objectivity of the Independent Valuer;</li> <li>- we engaged an auditor's expert in assessing the appropriateness of the valuation methodologies, assumptions and reasonableness of certain inputs used by the Independent Valuer;</li> <li>- we evaluated the competency, capability, and objectivity of the auditor's expert;</li> <li>- we performed sensitivity analysis over the assumptions and estimates over its measurement against source data and appropriate external sources, where appropriate; and</li> <li>- we assessed the adequacy of disclosure in relation to the put and call options and the investment in Sunrise in the financial statements including estimation uncertainty and key assumptions used by management.</li> </ul>

## Independent auditor's report to the members of Abundance International Limited (Cont'd)

### Key Audit Matters (Cont'd)

Valuation of the Company's and Group's buildings on leasehold land	Audit Response/ Procedures
<p><u>Risk Identified</u></p> <p>As stated in Note 7 to the accompany financial statements, the buildings on leasehold land of the Company and the Group are the single largest asset classified as property, plant and equipment and are measured at fair value.</p> <p>The valuation report obtained from the Independent Valuer has highlighted that given the unprecedented set of circumstances due to the COVID-19 pandemic on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the Independent Valuer has also recommended to keep the valuation of the buildings on leasehold land under frequent review.</p> <p>We have identified the valuation of the building on leasehold land as a Key Audit Matter as the valuation requires significant management judgement and estimation.</p>	<p>Our audit procedures in addressing the valuation of the buildings on leasehold land included among others:</p> <ul style="list-style-type: none"> <li>- we assessed the competency, capability and objectivity of the Independent Valuer. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work;</li> <li>- we also discussed with management and the Independent Valuer to understand how they have considered the implications of the COVID-19 pandemic and market uncertainty in the valuation. We also assessed whether the disclosures in the financial statements appropriately described the impact of COVID-19 on the valuation of the buildings on leasehold land;</li> <li>- we engaged our auditor's expert to review the valuation methodologies used by the Independent Valuer appointed by the management including comparison of the valuation against those applied by other valuers for similar property type. We held discussions with the Independent Valuer and the auditor's expert and challenged the key assumptions applied by comparing them against market comparable, historical data and available industry data;</li> <li>- we evaluated the competency, capability, and objectivity of the auditor's expert; and</li> <li>- we also considered the adequacy of the disclosure in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.</li> </ul>

# Independent auditor's report to the members of Abundance International Limited (Cont'd)

## Other Information

Management is responsible for the other information. The other information refers to the "Directors' statement" section of the annual report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

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

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

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

## Independent auditor's report to the members of Abundance International Limited (Cont'd)

### Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# Independent auditor's report to the members of Abundance International Limited (Cont'd)

## Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore, 19 March 2021

## Statements of financial position as at 31 December 2020

	Note	The Group		The Company	
		31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Subsidiaries	5	-	-	7,243	7,515
Financial asset at fair value through other comprehensive income ("FVTOCI")	6	5,910	3,984	-	-
Property, plant and equipment	7	13,132	14,105	13,056	13,372
Right-of-use assets	8	2,040	2,150	1,939	2,000
Deferred tax assets	9	91	75	-	-
		<b>21,173</b>	20,314	<b>22,238</b>	22,887
<b>Current Assets</b>					
Inventories	10	15,940	17,254	-	-
Trade receivables	11	30,223	15,572	-	-
Other receivables and deposits	12	1,514	795	34	30
Advances and prepayments	13	7,119	6,167	18	17
Amounts due from subsidiaries	14	-	-	3,706	3,262
Financial assets at fair value through profit or loss ("FVTPL")	15	141	141	-	-
Derivative financial instrument	16	368	228	368	228
Cash and bank balances	17	4,910	5,620	109	174
		<b>60,215</b>	45,777	<b>4,235</b>	3,711
<b>Total assets</b>		<b>81,388</b>	66,091	<b>26,473</b>	26,598
<b>EQUITY</b>					
Share capital	18	33,246	33,246	33,246	33,246
Other equity instruments	19	2,011	2,011	2,011	2,011
Reserves	20	(16,299)	(16,473)	(22,871)	(21,460)
Equity attributable to equity holders of the Company		<b>18,958</b>	18,784	<b>12,386</b>	13,797
Non-controlling interests		(29)	14	-	-
<b>Total equity</b>		<b>18,929</b>	18,798	<b>12,386</b>	13,797

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Statements of financial position (Cont'd) as at 31 December 2020

	Note	The Group		The Company	
		31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Interest-free loan from a director	21(a)	327	297	327	297
Borrowings	22	2,707	8,208	-	8,208
Lease liabilities	23	2,020	2,117	2,004	2,030
Provision	24	-	11	-	11
Deferred tax liabilities	9	1,614	2,086	1,135	1,892
		<b>6,668</b>	<b>12,719</b>	<b>3,466</b>	<b>12,438</b>
<b>Current Liabilities</b>					
Trade payables	25	37,665	27,304	43	51
Other payables and accruals	26	1,701	1,750	260	258
Advances from customers	27	5,013	5,150	-	-
Loan from a director	21(b)	240	-	-	-
Amounts due to a subsidiary	14	-	-	641	-
Borrowings	22	10,530	184	9,613	-
Lease liabilities	23	150	131	64	52
Derivative financial instrument	16	-	2	-	2
Income tax liabilities		492	53	-	-
		<b>55,791</b>	<b>34,574</b>	<b>10,621</b>	<b>363</b>
<b>Total Liabilities</b>		<b>62,459</b>	<b>47,293</b>	<b>14,087</b>	<b>12,801</b>
<b>Total equity and liabilities</b>		<b>81,388</b>	<b>66,091</b>	<b>26,473</b>	<b>26,598</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 31 December 2020

	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Revenue	28	411,147	360,474
Other operating income	29	1,574	490
<b>Total revenue</b>		<b>412,721</b>	<b>360,964</b>
<b>Expenses</b>			
Changes in inventories of finished goods and goods in transit		(393,565)	(344,408)
Employee benefits expenses	30	(2,782)	(2,928)
Amortisation of right-of-use assets	8	(176)	(152)
Depreciation of property, plant and equipment	7	(533)	(494)
Freight and handling charges		(10,243)	(9,610)
Other expenses	31	(6,141)	(4,696)
Finance costs	32	(1,499)	(1,263)
<b>Loss before taxation</b>		<b>(2,218)</b>	<b>(2,587)</b>
Tax (expense)/ credit	33	(455)	95
<b>Loss for the year</b>		<b>(2,673)</b>	<b>(2,492)</b>
<b>Other comprehensive income/ (loss) after tax</b>			
<b>Items that will not be subsequently reclassified to profit or loss</b>			
- Surplus/ (Deficit) on revaluation of buildings on leasehold land	20	709	(113)
- Financial asset at FVTOCI			
Fair value gain - equity investment	20	1,572	773
<b>Items that may be subsequently reclassified to profit or loss</b>			
- Foreign currency translation differences - foreign operation		516	(94)
Other comprehensive income for the year, net of tax		2,797	566
<b>Total comprehensive income/ (loss) for the year</b>		<b>124</b>	<b>(1,926)</b>
<b>Loss for the year attributable to:</b>			
- Equity holders of the Company		(2,625)	(2,484)
- Non-controlling interests		(48)	(8)
<b>Total loss for the year</b>		<b>(2,673)</b>	<b>(2,492)</b>
<b>Total comprehensive income /(loss) attributable to:</b>			
- Equity holders of the Company		174	(1,918)
- Non-controlling interests		(50)	(8)
<b>Total comprehensive income/(loss) for the year</b>		<b>124</b>	<b>(1,926)</b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted (cents)	34	(0.41)	(0.39)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of changes in equity for the financial year ended 31 December 2020

The Group	----- Attributable to equity holders of the Company ----->							Discount/ (premium) paid on acquisition of non- controlling interests US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Other equity instruments US\$'000	Translation reserve US\$'000	Asset revaluation reserve US\$'000	Fair value reserve US\$'000	Accumulated losses US\$'000	Total US\$'000			
At 1 January 2019	33,246	2,011	(1,206)	10,371	-	(25,106)	1,386	20,702	16	20,718
Loss for the year	-	-	-	-	-	(2,484)	-	(2,484)	(8)	(2,492)
Other comprehensive (loss)/ income for the year	-	-	(94)	(113)	773	-	-	566	-	566
Total comprehensive (loss)/ income for the year	-	-	(94)	(113)	773	(2,484)	-	(1,918)	(8)	(1,926)
Capital contribution by non- controlling interest	-	-	-	-	-	-	-	-	6	6
<b>At 31 December 2019</b>	<b>33,246</b>	<b>2,011</b>	<b>(1,300)</b>	<b>10,258</b>	<b>773</b>	<b>(27,590)</b>	<b>1,386</b>	<b>18,784</b>	<b>14</b>	<b>18,798</b>
Loss for the year	-	-	-	-	-	(2,625)	-	(2,625)	(48)	(2,673)
Other comprehensive income /(loss) for the year	-	-	516	709	1,572	2	-	2,799	(2)	2,797
Total comprehensive income /(loss) for the year	-	-	516	709	1,572	(2,623)	-	174	(50)	124
Capital contribution by non- controlling interest	-	-	-	-	-	-	-	-	7	7
<b>At 31 December 2020</b>	<b>33,246</b>	<b>2,011</b>	<b>(784)</b>	<b>10,967</b>	<b>2,345</b>	<b>(30,213)</b>	<b>1,386</b>	<b>18,958</b>	<b>(29)</b>	<b>18,929</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of cash flows for the financial year ended 31 December 2020

	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Cash Flows from Operating Activities</b>			
Loss before taxation		(2,218)	(2,587)
Adjustments for:			
Amortisation and depreciation	7,8	709	646
Dividend income from financial assets at FVTPL	29,B	(2)	(3)
Fair value gain from derivative asset at FVTPL	29	(133)	(93)
Fair value gain from derivative liability at FVTPL	29	(2)	(225)
Fair value loss on financial assets at FVTPL	29	2	10
Gain on disposal of financial assets at FVTPL	29	(18)	(8)
Impairment loss on plant and equipment	31	636	-
Interest income	29	(26)	(41)
Interest expense	32	1,499	1,263
Plant and equipment written off	31	20	-
Provision/ (Reversal) of expected loss allowances for trade receivables, net	29	2	(17)
Reversal of provision for restoration cost no longer required	24	(11)	-
Write-down/ (Reversal) of inventories, net	31	48	(4)
Foreign currency translation differences		520	(162)
<b>Operating cashflow before working capital changes</b>		<b>1,026</b>	<b>(1,221)</b>
Change in inventories		1,266	(4,565)
Change in trade and other receivables and deposits		(15,372)	(3,589)
Change in advances and prepayments		(952)	1,501
Changes in trade and other payables and accruals		10,312	10,907
Change in advances from customers		(137)	(1,858)
<b>Cash (used in)/ generated from operations</b>		<b>(3,857)</b>	<b>1,175</b>
Interest income received		26	41
Interest paid		(22)	(57)
Income tax paid		(6)	(101)
<b>Net cash (used in)/ generated from operating activities</b>		<b>(3,859)</b>	<b>1,058</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of financial asset at FVTOCI	6	-	(3,003)
Purchase of property, plant and equipment	A	(68)	(950)
Purchase of financial assets at FVTPL	B	(338)	-
Proceeds from disposal of financial assets at FVTPL		358	51
<b>Net cash used in investing activities</b>		<b>(48)</b>	<b>(3,902)</b>
<b>Cash Flows from Financing Activities</b>			
Capital contribution from non-controlling interest		7	6
Government grant received	A	-	106
Loan from a director		240	-
Proceeds from bank borrowings		3,581	184
Repayment of bank borrowings		(343)	-
Repayment of principal portion of lease liabilities		(242)	(142)
Interest paid		(135)	(41)
Fixed deposits released/ (pledged)		373	(211)
<b>Net cash generated from/ (used in) financing activities</b>		<b>3,481</b>	<b>(98)</b>
Net decrease in cash and cash equivalents		(426)	(2,942)
Effect of changes in currency translation		89	13
Cash and cash equivalents at beginning of year		5,037	7,966
<b>Cash and cash equivalents at end of year</b>	17	<b>4,700</b>	<b>5,037</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of cash flows (Cont'd) for the financial year ended 31 December 2020

Other supplementary notes:

- A. During the last financial year ended 31 December 2019, total additions to the Group's property, plant and equipment were US\$844,000 after directly offsetting a government grant received of US\$106,000.
- B. Additions of US\$2,000 (2019: US\$3,000) was in the form of scrip dividend. Net cash purchase of financial asset at fair value through profit or loss was US\$338,000 (2019: US\$Nil).

### Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	1 January 2020 US\$'000	Cash flows		Non-cash changes			31 December 2020 US\$'000
		Proceeds US\$'000	(Repayment) US\$'000	New leases US\$'000	Currency translation differences US\$'000	Interest expense US\$'000	
<b>Liabilities</b>							
Interest free loan from a director	297	-	-	-	(1)	31 <sup>(1)</sup>	327
Loan from a director	-	240	-	-	-	-	240
Secured bank loan	184	3,581	(343)	-	202	-	3,624
Bond payables	8,208	-	-	-	201	1,204 <sup>(2)</sup>	9,613
Lease liabilities	2,248	-	(242)	30	27	107 <sup>(3)</sup>	2,170
<b>Asset</b>							
Fixed deposits released/ (pledged)	(583)	-	373	-	-	-	(210)

	1 January 2019 US\$'000	Cash flows		Non-cash changes			31 December 2019 US\$'000
		Proceeds/ (Repayment) US\$'000	Adoption of SFRS(I) 16 US\$'000	New leases US\$'000	Currency translation differences US\$'000	Interest expense US\$'000	
<b>Liabilities</b>							
Interest free loan from a director	269	-	-	-	-	28 <sup>(1)</sup>	297
Secured bank loan	-	184	-	-	-	-	184
Bond payables	7,044	-	-	-	106	1,058 <sup>(2)</sup>	8,208
Lease liabilities	-	(142)	221	2,090	-	79 <sup>(3)</sup>	2,248
Finance lease obligation	6	-	(6)	-	-	-	-
<b>Asset</b>							
Fixed deposits pledged	(372)	(211)	-	-	-	-	(583)

**Notes:**

- (1) This represents the imputed interest expense of the interest-free loan from a director.
- (2) This interest expense relates to the unwinding of discount adjustment on bond payables.
- (3) This represents imputed interest expense and lease adjustments under SFRS(I) 16 *Leases*.

# **Notes to the financial statements**

## **for the financial year ended 31 December 2020**

### **1 General information**

Abundance International Limited (the “Company”) (Registration No. 197501572K) is a limited liability company, incorporated and domiciled in Singapore, and listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) Catalyst. The registered office of the Company is located at 9 Joo Koon Circle, Singapore 629041.

The principal activities of the Company are those of print and paper management related activities and investment holding. The principal activities of the subsidiaries are those of trading of commodity chemical products, provision of water treatment solutions using microbial and/or chemicals in the People’s Republic of China (“PRC”), print and paper management related activities and in investment and trading of securities.

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2020 were authorised for issue by the Board of Directors on the date of the directors’ statement.

### **2 Going concern**

Notwithstanding that the Group has incurred a loss of US\$2,673,000 (2019: US\$2,492,000), total comprehensive income of US\$124,000 (2019: total comprehensive loss of US\$1,926,000), recorded a net operating cash outflows of US\$3,859,000 (2019: net operating cash inflows of US\$1,058,000) for the financial year ended 31 December 2020, and the Company had net current liabilities of US\$6,386,000 (2019: net current assets of US\$3,348,000) as at 31 December 2020, the Group had net current assets as at 31 December 2020 which amounted to US\$4,424,000 (2019: US\$11,203,000). The Group also has cash and bank balances of US\$4,910,000 (2019: US\$5,620,000) as at 31 December 2020. In addition, the bonds issued by the Company on 31 January 2017 pursuant to the 2017 Rights Issue of US\$9,613,000 (2019: US\$8,208,000) due on 30 January 2021 have been fully settled at maturity date as disclosed in Note 43.

Accordingly, the directors are of the opinion that there is no material uncertainty that may cast significant doubt on the Group’s and the Company’s ability to continue as going concerns.

### **3 Basis of preparation**

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

**Notes to the financial statements for the financial year ended 31 December 2020**

**3 Basis of preparation (Cont'd)**

The financial statements have been presented in United States dollar (“USD” or “US\$”) while the Company’s functional currency remain in Singapore dollar (“SGD” or “S\$”). As the Group’s chemical businesses are traded mainly in USD, the directors are of the view that a USD financial reporting provides more relevant presentation of the Group’s financial performance and cashflows.

All financial information presented in USD have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I) 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 4.

**3.1 Adoption of new and revised SFRS(I) effective in 2020**

The Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations (“SFRS(I) INT”) and amendments to SFRS(I), effective for the current financial year that are relevant to them.

Reference	Description	Effective date (Annual periods beginning on or after)
Various	<i>Amendments to References to the Conceptual Framework in SFRS(I)</i>	1 January 2020
SFRS(I) 3	<i>Amendments to SFRS(I) 3: Definition of a Business</i>	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	<i>Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material</i>	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	<i>Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform</i>	1 January 2020

The adoption of these new and revised SFRS(I) pronouncements did not result in significant changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods.

**3.2 New and revised SFRS(I) in issue but not yet effective**

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group’s and the Company’s accounting policies in the period of their initial application.

**Notes to the financial statements for the financial year ended 31 December 2020**

**3.2 New and revised SFRS(I) in issue but not yet effective (Cont'd)**

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 16	<i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16	<i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to SFRS(I) 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Annual Improvements to SFRS(I)s 2018–2020:</i>		
- Amendments to SFRS(I) 1	<i>Subsidiary as a First-time Adopter</i>	1 January 2022
- Amendments to SFRS(I) 9	<i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities</i>	1 January 2022
- Amendments to SFRS(I) 16	<i>Lease Incentives</i>	1 January 2022
- Amendments to SFRS(I) 1-41	<i>Taxation in Fair Value Measurements</i>	1 January 2022
Amendments to SFRS(I) 1-1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I)1-28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be determined

**3.3 Summary of significant accounting policies**

**Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 5 to the financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Consolidation (Cont'd)**

- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

#### A change in the ownership interest

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Consolidation (Cont'd)**

##### Acquisition of businesses

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

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

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 (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill.

##### Disposals

When a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously 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 equity 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.

##### Transactions with non-controlling interest

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

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

#### **Subsidiaries**

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Buildings on leasehold land	Over remaining tenure of lease
Furniture, fittings and office equipment	3 - 15 years
Motor vehicles	4 years
Plant and machinery	5 - 15 years
Electrical installation and equipment	10 years

Buildings on leasehold land are initially recognised at cost and subsequently stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are carried out with sufficient regularity such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of the reporting period.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the previous write down.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings when the asset is de-recognised.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Impairment of non-financial assets**

The carrying amounts of the Group's and Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

#### **Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost of paper products and chemical products is determined on a first-in-first-out and weight average basis respectively. The cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

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

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Financial assets**

##### ***Classification and measurement***

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

##### ***At initial recognition***

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

##### ***At subsequent measurement***

###### ***(i) Debt instruments***

Debt instruments mainly comprise cash and cash equivalents, trade and other receivables, amount due from subsidiaries and listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVTOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVTOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other operating income or other expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other operating income".
- **FVTPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVTOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating income and other expenses".

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Financial assets (Cont'd)**

##### ***Classification and measurement (Cont'd)***

###### ***At subsequent measurement (Cont'd)***

###### ***(ii) Equity investments***

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in “other operating income or other expense”, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVTOCI are presented as “fair value gains/ losses” in OCI. The election is made on an investment-by-investment basis.

Dividend income from equity investments is presented in profit or loss as “other operating income”.

##### ***Impairment of financial assets***

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

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

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

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

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

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Financial assets (Cont'd)**

##### ***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 debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceeds amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, bank deposits with financial institution and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of the pledged fixed deposits.

#### **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.

#### **Other equity instruments classified as equity**

Other equity instruments which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Distributions arising from such instruments are recognised in equity as there is no contractual obligation to pay distributions on these instruments. Incremental external costs directly attributable to the issuance of such instruments are accounted for as a deduction from equity.

#### **Dividends**

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Financial guarantees**

The Company has issued a corporate guarantee to banks for bank facilities of its subsidiaries. This guarantee is a financial guarantee contract as it requires the Company to reimburse the bank if the subsidiary fail to make principal or interest payments when due in accordance with the terms of their facilities. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

#### **Financial liabilities**

The Group's and the Company's financial liabilities include trade payables, other payables and accruals, borrowings, lease liabilities, loan from a director, amount due to a subsidiary and derivative financial instruments.

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

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

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

Financial liabilities are derecognised when the obligations specified in the contract are discharged or cancelled or they expire.

#### **Trade and other payables**

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

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

#### **Borrowings**

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

##### **(a) Borrowings**

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

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Financial liabilities (Cont'd)**

#### **Borrowings (Cont'd)**

**(b) Zero coupon bonds**

Proceeds from the bond cum warrants issue are allocated separately between the value of the bonds and the value of the warrants. The fair value of the liability portion is determined using the market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until it is extinguished on conversion or maturity of the bonds. The remainder of the proceeds is ascribed to the 642,750,000 detachable warrants which are recognised as other equity instruments and an appropriate amount transferred to the share capital account as and when the warrants are exercised. The discount on the value of the bonds is amortised over the life of the bonds of 4 years and charged to profit or loss using the effective interest rate method.

**(c) Interest-free loan from a director**

The loan proceeds arose from the incorporation of a subsidiary and provides a director with the option (“call option”) to convert the loan into certain equity interest in the shares of a subsidiary held by the Company during the option period. Simultaneously, the director has granted an option (“put option”) for the Company to put certain equity interest in the shares of a subsidiary to the director during the option period. The initial carrying amount of the loan is the residual amount after separating the embedded derivatives (i.e.: put and call option).

The loan amount is recorded as a non-current liability and subsequently measured at amortised cost until it is extinguished on conversion or maturity of the loan. The discount on the value of the loan is amortised over the option period of 4 years and charged to profit or loss using the effective interest rate method.

#### **Derivative financial instruments - Put and call options**

Put and call options are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately. Put and call options are derecognised when the option holder exercised the option or when the option is expired.

#### **Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

A provision for restructuring is recognised for the expected costs associated with the restoration of buildings on leasehold land. The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restoration and not associated with the on-going activities of the Group.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Leases**

##### **(i) Where the Group is the lessee**

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- **Right-of-use (“ROU”) assets**

The Group recognised a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term which is determined on the same basis as property, plant and equipment.

- **Lease liabilities**

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for all leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group’s assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Leases (Cont'd)**

##### **(i) Where the Group is the lessee (Cont'd)**

- **Short term and low value leases**

The Group has elected to not recognised ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- **Variable lease payments**

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

##### **(ii) Where the Group is the lessor**

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the ROU asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the ROU asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other operating income". The ROU asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

#### **Revenue recognition**

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

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

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Revenue recognition (Cont'd)**

**(i) Sales of chemical products**

The Group sells a range of chemical products in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, either over time or at a point in time, depending on the contractual terms specified in the contract. The goods are usually sold without the right of return, volume discounts or warranty. No element of financing is deemed present as the sales made are usually completed within 3 months.

Revenue is recognised at a point in time when the goods are delivered to the customer or the customer has taken physical delivery according to the agreed sales term and all criteria for acceptance have been satisfied.

Revenue is recognised over time when there is involvement of performance obligations in contracts with customers. This is generally applicable to the sales whereby the Group is responsible for the shipping and handling services of the goods. The title of the goods would have been transferred to the customers at the point of loading based on the predefined International Commercial Terms (“Incoterm”) specified in the contract with the customer. However, the performance obligation is satisfied upon the goods are delivered to the customer. In this case, the amount of the revenue is recognised based on the transaction price allocated to the satisfied PO. Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods.

**(ii) Print and paper management services**

The Group earns print and paper management service fees primarily from sheeting, slitting and rewinding of paper rolls and paper storage services.

Revenue from sheeting, slitting and rewinding of paper rolls are recognised at the point when such services are rendered. Revenue from paper storage services are recognised over time based on usage period.

**(iii) Provision of water treatment solution services**

Revenue from provision of water treatment solution services using microbial and/or chemicals are recognised at the point when such services are rendered.

**(iv) Fair value gains or losses from financial assets at fair value through profit or loss**

Trading gains or losses from investments classified as financial assets at fair value through profit or loss are recorded using the trade date method.

**(v) Interest income**

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

**(vi) Dividend income**

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Government grant**

Government grants are recognised when there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant.

Government grants relating to assets are deducted against the carrying amount of the assets, and release to profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to the assets.

Government grants relating to expenses incurred are recognised as other operating income in the period which they become receivable.

#### **Employee benefits**

##### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### Defined contribution plans

The Group and the Company participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The Company and its Singapore incorporated subsidiaries makes contribution to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. The subsidiary incorporated in the PRC contributes to certain staff pension benefits, a defined contribution plan regulated and managed by PRC regulations. The subsidiary incorporated in Japan contributes to the Employees' Pension Insurance, a defined contribution plan regulated and managed by the Government of Japan.

The contributions to national pension scheme are charged to profit or loss in the period to which the contributions relate.

##### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting year.

#### **Income taxes**

Current income tax for current and prior periods 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 year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes tax liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 or 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, associates and joint ventures, 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.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Income taxes (Cont'd)**

Deferred income tax is measured:

- (i) 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
- (ii) 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 either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

#### **Related parties**

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

#### **Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

#### **Functional currencies**

##### 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 of the Group and the Company are presented in USD, while the Company's functional currency remain in SGD.

##### 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 date 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. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

#### **Conversion of foreign currencies**

##### Group entities

The results and financial position of all the 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 end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the translation reserve.

#### **Contingencies**

A contingent liability is:

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

### **3.3 Summary of significant accounting policies (Cont'd)**

#### **Contingencies (Cont'd)**

- (b) a present obligation that arises from past events but is not recognised because:
- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

## **4 Critical accounting estimates, assumptions and judgements**

The preparation of the financial statements in conformity with SFRS(I) requires the use of estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

### **Impact of COVID-19**

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations are in Singapore, PRC and Japan, all of which have been affected by the spread of COVID-19 in 2020.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- (i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- (ii) In 2020, border closures, production stoppages and workplace closures have resulted in periods where some of the Group's business partners operations were temporarily suspended to adhere to the respective governments' movement control measures. These have indirectly impacted the Group's supply chain in Chemicals segment, resulting in a negative impact to a certain extent on the Group's financial performance for 2020.
- (iii) The Group has considered the market conditions (including the impact of COVID-19) as at the reporting year end date, in making estimates and judgements on the valuation of buildings on the leasehold land and impairment of non-financial assets as at 31 December 2020. The significant estimates and judgement applied are included in the discussion in Note 4.2 below.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write downs in the subsequent financial periods.

#### **4 Critical accounting estimates, assumptions and judgements (Cont'd)**

##### **4.1 Significant judgements used in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

###### (a) Determination of functional currency

The functional currency of the Company is SGD. 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"). Notwithstanding the Singapore dollar functional currency of the Company, the financial statements of the Group and the Company have been presented in USD in order to best represent the core business performance and its underlying exposures from an operational perspective as the Group carries out chemical trading in mainly USD. The determination of the functional currency involves significant judgment.

The Company reconsiders its functional currency if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the profit or loss. It also impacts exchange gains and losses included in the profit or loss.

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

###### (b) Income tax (Notes 9 and 33)

The Group has exposures to income taxes in Singapore, Japan and China. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

###### (c) Classification of investment in joint venture (Note 5)

Entities are included within the financial statements of the Group where the Group has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where the Group has the ability to affect those returns through its power over the entity. Judgment is applied by management in assessing whether control exists. Judgment is applied in determining the relevant activities of each entity and determining whether the Group has power over these activities. This involves assessment of the purpose and design of the entity, identification of the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Consideration is also given to the practical ability of other parties to exercise their rights.

The Group has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally in Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd., the Group controls this entity through its 70% voting rights.

**4 Critical accounting estimates, assumptions and judgements (Cont'd)**

**4.1 Significant judgements used in applying accounting policies (Cont'd)**

(d) Classification of interest-free loan from a director (Notes 5 and 21)

The Company had on 14 March 2018 entered into a Put and Call Option Agreement (the “PCOA”) with Mr. Shi Jiangang (Chairman and Director of the Company) in relation to a newly incorporated subsidiary, Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd. (“Orient-hill”) in conjunction with the RMB2.4 million interest-free loan granted by Mr. Shi Jiangang to the Company (the “interest-free loan”) on the same date.

The interest-free loan is repayable on 13 March 2022 and provides Mr. Shi Jiangang with the right to convert the interest free loan into 40% equity interest in the shares of Orient-hill (the “40% Subsidiary Shares”) (the “Call Option”), held by the Company at any time between 13 March 2019 to 13 March 2022 (the “Option Period”). In addition, under the PCOA, Mr. Shi Jiangang has granted a put option to the Company which provides the Company with the right to put the 40% Subsidiary Shares to Mr. Shi Jiangang over the Option Period subject to the terms and conditions of the PCOA (the “Put Option”).

The management has classified the interest-free loan as a financial liability, instead of equity transaction as the loan is considered to be entered into under normal commercial terms on the basis of the terms of the joint venture agreement.

**4.2 Key sources of estimation uncertainty**

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

(a) Fair value measurement and valuation of put and call options (Notes 5 and 16)

The fair value of the Put Option and Call Option pursuant to the PCOA signed on 14 March 2018 is revalued based on the valuation performed by an independent professional valuer appointed by the Company who has adopted the Binomial Model. Significant judgement is required to ascertain the appropriateness of the assumptions made on valuation of the Put Option and Call Option in determining their fair values. The events leading to the outcome of the effect on the valuation may have possible impact on the changes to the valuation of put and call options. The carrying amount of the put and call options are disclosed in Note 16.

A 5% change in Discount for Lack of Control (“DLOC”) and Discount for Lack of Marketability (“DLOM”) would result in the following changes to the fair values of the Put Option and Call Option:

	Increase/(Decrease)		Total US\$'000
	Call Option US\$'000	Put Option US\$'000	
<b>2020</b>			
Increase of DLOC and DLOM by 5%	-	-	-
Decrease of DLOC and DLOM by 5%	-	-	-
<b>2019</b>			
Increase of DLOC and DLOM by 5%	(1)	13	12
Decrease of DLOC and DLOM by 5%	1	(14)	(13)

**4 Critical accounting estimates, assumptions and judgements (Cont'd)**

**4.2 Key sources of estimation uncertainty (Cont'd)**

(b) Impairment of investments in subsidiaries (Note 5)

Determining whether investments in subsidiaries are impaired requires an estimation to the recoverable amounts of the investments in subsidiaries. The recoverable amount of an investment in a subsidiary, Orient-hill, is based on fair value less costs of disposal and has been fully written off as at 31 December 2020 as the subsidiary has a deficit in its shareholders' equity. The recoverable amount of an investment in a subsidiary, Orient-Salt Chemicals Pte. Ltd. ("OSC"), is determined in using the of value-in-use ("VIU") calculation. The VIU calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets in the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2019 and 2020, if the present value of estimated future cash flows decrease by 10% from management's estimates, it will not lead to further impairment loss on investment in subsidiaries. The carrying amount of the investments in subsidiaries is disclosed in Note 5 to the financial statements.

(c) Fair value measurement and valuation of financial asset at FVTOCI (Note 6)

The Group had on 27 March 2019 completed the acquisition of 18.18% of the enlarged share capital of Shanghai Sunrise Polymer Material Co., Ltd. The investment is recorded as financial asset at FVTOCI in the statement of financial position. The carrying amount of the financial asset at FVTOCI is disclosed in Note 6.

The fair value of the financial asset at FVTOCI is determined based on the valuation performed by an independent professional valuer appointed by the Group who has adopted the Guideline Publicly-traded Comparable Method under the market approach. Significant judgement is required to ascertain the appropriateness of the assumptions made on valuation of the financial asset at FVTOCI in determining its fair value. The events leading to the outcome of the effect on the valuation may have possible impact on the changes to the valuation of the financial asset at FVTOCI.

A 5% change in DLOM would result in the following changes to the fair values of the financial asset at FVTOCI:

	<b>Increase/ (Decrease)</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Increase of DLOM by 5%	(561)	(237)
Decrease of DLOM by 5%	561	237

A 0.1 multiple change in Enterprise Value to Revenue ("EV/R") would result in the following changes to the fair values of the financial asset at FVTOCI:

	<b>Increase/ (Decrease)</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Increase of EV/R by 0.1 multiple	761	848
Decrease of EV/R by 0.1 multiple	(761)	(848)

#### **4 Critical accounting estimates, assumptions and judgements (Cont'd)**

##### **4.2 Key sources of estimation uncertainty (Cont'd)**

###### (d) Fair value measurement and valuation of buildings on leasehold land (Note 7)

The fair value of buildings on leasehold land is determined based on the valuation performed by an independent professional valuer appointed by the Group who has adopted the Direct Comparison Method under the market approach. The independent valuer has considered available information as at the measurement date relating to events and conditions caused by the COVID-19 pandemic and has made necessary adjustments to the valuation. The valuation report also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the independent valuer has also recommended to keep the valuation of the property under frequent review. The carrying amount of buildings on leasehold land is disclosed in Note 7 to the financial statements.

###### (e) Impairment of plant and equipment and ROU assets (Notes 7 and 8)

Plant and equipment and ROU assets are tested for impairment whenever there is any objective evidence or indication that they may be impaired. In performing the impairment assessment of the plant and equipment and ROU assets, as disclosed in Note 7, the recoverable amounts of the cash-generating units (“CGUs”) in which plant and equipment and ROU assets, have been attributable to, are determined in using value-in-use (“VIU”) calculation.

The continually evolving situation due to COVID-19 pandemic during the year resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment of the aforesaid carrying amounts, the Group adopted the Expected Cash Flow approach. The Expected Cash Flow approach uses all expectations about possible cash flows, instead of the single most likely cash flow. Uncertainties about future outcomes are reflected through probability-weighted cash flow scenarios. The use of the Expected Cash Flow approach also aligns with management’s internal forecasts.

Significant judgements are used to estimate the weightage of the different scenarios projected, and the key inputs used in each scenario, such as weighted average growth rates and pre-tax discount rates. In making these estimates, management has relied on past performance, its expectations of market developments including estimates of the industry trends for Chemicals business. Specific estimates and the sensitivity analysis of these estimates are disclosed in Note 7.

The carrying amounts of the Group’s plant and equipment and ROU assets at the reporting date are set out in Notes 7 and 8 to the financial statements. In 2020 and 2019, a decrease of 5% in the gross profit margin or in the growth rate, or an increase of 100 basis points in the discount rate, as applied in the VIU calculations, will not lead to further impairment loss recognised on these non-financial assets.

###### (f) Carrying value of inventories (Note 10)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable values of the inventory increase/decrease by 10% from management’s estimates, the Group’s loss will increase/decrease by US\$1,594,000 (2019: US\$1,725,000). The carrying amount of the inventories is disclosed in Note 10 to the financial statements.

#### **4 Critical accounting estimates, assumptions and judgements (Cont'd)**

##### **4.2 Key sources of estimation uncertainty (Cont'd)**

###### (g) Provision for expected credit losses of trade and other receivables (Notes 11, 12 and 14)

Allowance for expected credit losses (“ECL”) of trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group’s past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses a provision matrix to calculate ECLs for the trade receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic condition. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

The Group and the Company apply the 3-stage general approach to determine ECL for non-trade amounts due from external parties and related parties. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date. The information about the ECLs on the Group’s trade receivables is disclosed in Note 39.5.

The ECL assessment involves estimation uncertainty heightened by the global economic slowdown ensuing the COVID-19 pandemic, such as a slow-down in payment collections from the customers. Significant management judgement is required to assess recoverability of debts from known customers who are potentially more negatively impacted by COVID-19. Forward-looking adjustments, such as economic data, by management have incorporated potential impact of the COVID-19 pandemic.

The carrying amount of the Group’s and the Company’s trade and other receivables are disclosed in Notes 11, 12 and 14.

###### (h) Estimation of the incremental borrowing rate (Note 23)

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease (“IRIIL”) and, if the IRIIL is not readily determinable, the entity shall use its incremental borrowing rate (“IBR”) applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity’s credit rating). The carrying amount of the Group’s ROU assets and lease liabilities are disclosed in Notes 8 and 23 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group’s ROU assets and lease liabilities by approximately US\$107,000 and US\$108,000 (2019: US\$103,000 and US\$104,000) respectively.

**Notes to the financial statements for the financial year ended 31 December 2020**

**5 Subsidiaries**

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Company		
<b>Cost of investments</b>		
Unquoted equity shares, at cost		
At beginning and end of year	<b>7,893</b>	7,893
<u>Less: Impairment losses</u>		
At beginning of year	<b>378</b>	24
Charged to profit or loss	<b>274</b>	348
Currency translation differences	<b>(2)</b>	6
At end of year	<b>650</b>	378
<b>Net investment in subsidiaries</b>	<b>7,243</b>	7,515

The subsidiaries are:

<u>Name</u>	<u>Country of incorporation/ principal place of business</u>	<u>Proportion of ownership interest held</u>		<u>Principal activities</u>
		<b>2020</b> %	2019 %	
<u>Held by the Company</u>				
Abundance Resources Pte. Ltd. ("ARPL") <sup>(1)</sup>	Singapore	<b>100</b>	100	Print and paper management related activities
Orient-Salt Chemicals Pte. Ltd. ("OSC") <sup>(1)</sup>	Singapore	<b>100</b>	100	Chemical business
Abundance Investments Pte. Ltd. ("AIPL") <sup>(1)</sup>	Singapore	<b>100</b>	100	Investment holding
Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd. ("Orient-hill") <sup>(2)</sup>	PRC	<b>70</b>	70	Research, screening and cultivation of microbes
<u>Held through Orient-Salt Chemicals Pte. Ltd. ("OSC")</u>				
Orient-Salt Chemicals (Shanghai) Co., Ltd. <sup>(3)</sup>	PRC	<b>100</b>	100	Chemical business
Touen Japan Co., Ltd. <sup>(4)</sup>	Japan	<b>99.41</b>	99.41	Chemical business

<sup>(1)</sup> Audited by Foo Kon Tan LLP

<sup>(2)</sup> No audit is required in its jurisdiction. Audited by Foo Kon Tan LLP for consolidation purposes.

<sup>(3)</sup> Audited by Shanghai Huacheng Accounting Firm, Shanghai for consolidation purposes under SFRS(I) reporting.

<sup>(4)</sup> Audited by Kasumigaseki International Accounting Office, Japan for consolidation purposes under SFRS(I) reporting.

In 2020, the Company assesses the carrying amounts of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognises an impairment loss of US\$274,000 (2019: US\$348,000) for a loss making subsidiary based on its net (liabilities)/ assets as at reporting date under the fair value hierarchy Level 3 measurement as determined by an independent professional valuer. The most significant input into this valuation approach is the residual value of the plant and equipment.

Non-controlling interests

The non-controlling interests arising from Orient-hill and Touen Japan Co., Ltd. relate to the shares held by third parties.

There is no subsidiary that has non-controlling interests that is considered material to the reporting entity.

## **5 Subsidiaries (Cont'd)**

### Incorporation of a new subsidiary

On 14 March 2018, the Company entered into the following agreements, in relation to the incorporation of Orient-hill.

- (i) a joint venture agreement (“JVA”) with an unrelated Japanese incorporated company (the “JV Partner”) to incorporate and operate an Enterprise Wholly-Owned by Foreign Investor (“Orient-hill”) in the PRC.
- (ii) a put and call option agreement (“PCOA”) with Mr. Shi Jiangan (Chairman and Director of the Company) in respect of a put and call option over 40% equity shares interest of Orient-hill held by the Company at the time of incorporation, in conjunction with the RMB2.4 million interest-free loan granted by Mr. Shi Jiangan to the Company on the same date.

The key terms of JVA are summarised as follows:

- At the time of incorporation, the registered share capital of Orient-hill will be RMB6.0 million, of which 70% shall be contributed by the Company, and the balance 30% shall be contributed by the JV Partner.
- The Company and the JV Partner shall make their respective capital contributions in cash in accordance with the timelines stated below:
  - (a) the Company shall make its entire capital contribution of RMB4.2 million within one month from the date of incorporation of Orient-hill; and
  - (b) the JV Partner shall make its capital contribution of RMB100,000 within one month from the date of incorporation of Orient-hill, RMB50,000 each before 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively, and its remaining capital contribution of RMB1.5 million within five years from the date of incorporation of Orient-hill.
- The Board of Directors of Orient-hill shall comprise five directors. The Company shall be entitled to nominate four directors, while the JV Partner shall be entitled to nominate one director. The chairman of the Board of Directors of Orient-hill (who shall also be the legal representative of Orient-hill) shall be designated by the Company. The vice-chairman of the Board of Directors of Orient-hill shall be designated by the JV Partner.
- The Company has granted a call option to Mr. Shi Jiangan which provides Mr. Shi Jiangan with the right to convert the interest free loan into 40% equity interest in the shares of Orient-hill (the “40% Subsidiary Shares”) held by the Company at any time between 13 March 2019 to 13 March 2022 (the “Option Period”) (the “Call Option”).
- Mr. Shi Jiangan has granted a put option to the Company which provides the Company with the right to sell the 40% Subsidiary Shares to Mr. Shi Jiangan over the Option Period (the “Put Option”), in conjunction with the RMB2.4 million interest-free loan granted by Mr. Shi Jiangan to the Company (the “interest free loan”) on the same date.
- The Put Option and the Call Option in respect of the 40% Subsidiary Shares can be exercised at an option price of RMB2.4 million less any profits distribution in respect of the 40% Subsidiary Shares received by the Company up to the date of completion of the PCOA (or such other amount as may be agreed in writing (the “Option Price”). The Option Price is equivalent to the amount of capital contribution made by the Company in Orient-hill less any profit distribution which the Company may have received.
- The Option Price shall be payable by Mr. Shi Jiangan to the Company by the extinguishing of the interest free loan. Any amount that remains outstanding thereafter shall be payable by the Company in cash to Mr. Shi Jiangan on or before completion of the PCOA.
- The interest-free loan is repayable on 13 March 2022 to Mr. Shi Jiangan in cash if it is not extinguished in accordance with payment of the Option Price above.

**Notes to the financial statements for the financial year ended 31 December 2020**

**6 Financial asset at fair value through other comprehensive income (“FVTOCI”)**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<u>Unquoted equity investments:</u>				
At beginning of year	3,984	-	-	-
Additions	-	3,003	-	-
Fair value gain recognised in other comprehensive income (Note 20)	1,854	966	-	-
Currency translation differences	72	15	-	-
At end of year	<b>5,910</b>	3,984	-	-

The Group had on 27 March 2019 acquired 18.18% of the enlarged share capital of Shanghai Sunrise Polymer Material Co., Ltd. The investment is classified as non-current assets as the Group intends to hold for more than 12 months.

The fair value of the financial asset at FVTOCI has been determined by an independent professional valuer as at reporting year end date. The changes in its fair value gain (net of tax) of US\$1,572,000 (2019: US\$773,000) have been recognised in other comprehensive income for the year ended 31 December 2020.

The financial asset at FVTOCI is denominated in Renminbi. Further details of the Group’s financial risk management of foreign currency risk exposures are set out in Note 39.2.

**Notes to the financial statements for the financial year ended 31 December 2020**

**7 Property, plant and equipment**

The Group	Buildings on leasehold land US\$'000	Furniture, fittings and office equipment US\$'000	Plant and machinery US\$'000	Electrical installation and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<b>Cost or valuation:</b>	<b>At valuation</b>	<b>At cost</b>				
At 1 January 2019	13,571	74	103	-	-	13,748
Additions	-	35	736	66	7	844
Write-off	-	(2)	-	-	-	(2)
Elimination of accumulated depreciation on revaluation	(458)	-	-	-	-	(458)
Revaluation deficit (Note 20)	(136)	-	-	-	-	(136)
Currency translation differences	176	-	-	-	-	176
<b>At 31 December 2019</b>	<b>13,153</b>	<b>107</b>	<b>839</b>	<b>66</b>	<b>7</b>	<b>14,172</b>
Additions	-	13	55	-	-	68
Write-off	-	(29)	(5)	-	-	(34)
Elimination of accumulated depreciation on revaluation	(428)	-	-	-	-	(428)
Revaluation deficit (Note 20)	(83)	-	-	-	-	(83)
Currency translation differences	220	6	46	4	1	277
<b>At 31 December 2020</b>	<b>12,862</b>	<b>97</b>	<b>935</b>	<b>70</b>	<b>8</b>	<b>13,972</b>
<b>Accumulated depreciation and impairment loss:</b>						
At 1 January 2019	-	27	-	-	-	27
Depreciation	452	20	18	3	1	494
Write-off	-	(2)	-	-	-	(2)
Elimination of accumulated depreciation on revaluation	(452)	-	-	-	-	(452)
<b>At 31 December 2019</b>	<b>-</b>	<b>45</b>	<b>18</b>	<b>3</b>	<b>1</b>	<b>67</b>
Depreciation	428	12	85	6	2	533
Impairment losses	-	11	584	37	4	636
Write-off	-	(14)	-	-	-	(14)
Elimination of accumulated depreciation on revaluation	(428)	-	-	-	-	(428)
Currency translation differences	-	3	39	3	1	46
<b>At 31 December 2020</b>	<b>-</b>	<b>57</b>	<b>726</b>	<b>49</b>	<b>8</b>	<b>840</b>
<b>Net book value:</b>						
<b>At 31 December 2020</b>	<b>12,862</b>	<b>40</b>	<b>209</b>	<b>21</b>	<b>-</b>	<b>13,132</b>
At 31 December 2019	13,153	62	821	63	6	14,105

**Notes to the financial statements for the financial year ended 31 December 2020**

**7 Property, plant and equipment (Cont'd)**

The Company	Buildings on leasehold land US\$'000	Office equipment US\$'000	Plant and machinery US\$'000	Electrical installation and equipment US\$'000	Total US\$'000
<b>Cost or valuation:</b>	<b>At valuation</b>	<b>At cost</b>			
At 1 January 2019	13,571	3	-	-	13,574
Additions	-	-	204	22	226
Elimination of accumulated depreciation on revaluation	(458)	-	-	-	(458)
Revaluation deficit (Note 20)	(136)	-	-	-	(136)
Currency translation differences	176	-	-	-	176
<b>At 31 December 2019</b>	<b>13,153</b>	<b>3</b>	<b>204</b>	<b>22</b>	<b>13,382</b>
Write-off	-	-	(5)	-	(5)
Elimination of accumulated depreciation on revaluation	(428)	-	-	-	(428)
Revaluation deficit (Note 20)	(83)	-	-	-	(83)
Currency translation differences	220	-	4	-	224
<b>At 31 December 2020</b>	<b>12,862</b>	<b>3</b>	<b>203</b>	<b>22</b>	<b>13,090</b>
<b>Accumulated depreciation and impairment loss:</b>					
At 1 January 2019	-	-	-	-	-
Depreciation	452	-	9	1	462
Elimination of accumulated depreciation on revaluation	(452)	-	-	-	(452)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>1</b>	<b>10</b>
Depreciation	428	1	20	2	451
Elimination of accumulated depreciation on revaluation	(428)	-	-	-	(428)
Currency translation differences	-	-	1	-	1
<b>At 31 December 2020</b>	<b>-</b>	<b>1</b>	<b>30</b>	<b>3</b>	<b>34</b>
<b>Net book value:</b>					
<b>At 31 December 2020</b>	<b>12,862</b>	<b>2</b>	<b>173</b>	<b>19</b>	<b>13,056</b>
At 31 December 2019	13,153	3	195	21	13,372

During the last financial year, the Group and the Company have been awarded a government grant amounted to US\$106,000 related to acquisition of plant and machinery. The grant has been deducted against the cost of the plant and machinery and is being depreciated over the useful life of the related asset. In accordance with the terms of the grant, the Group and the Company are prohibited from leasing, selling or moving the plant and machinery out of Singapore for a period of one year from the date of completion of the project.

The Group's and the Company's property, plant and equipment as at 31 December 2020 consists mainly of buildings on leasehold land of US\$12,862,000 (2019: US\$13,153,000), stated at fair value, determined based on the properties' highest and best use as at year end. The fair value of buildings on leasehold land is determined by an independent professional valuer who have the appropriate recognised professional qualification and recent experience in the location and category of the buildings on leasehold land being valued.

**7 Property, plant and equipment (Cont'd)**

The valuation is based on Direct Comparison Method in arriving at the fair value of the buildings on leasehold land. The Direct Comparison Method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the buildings on leasehold land. These are regarded as Level 3 fair values. A description of the valuation technique and the valuation processes of the Group are provided in Note 40.

If the buildings on leasehold land were measured using the cost model, the net carrying amount would be:

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
The Group and The Company		
Net carrying value	<b>227</b>	231

Details of property at the reporting date are as follows:

The Group and The Company

Description of property	Tenure	Unexpired lease term (year)	Existing use	Gross floor area (sq. metres)
9 Joo Koon Circle, Singapore 629041	Leasehold*	28.75 (2019: 29.75)	Industrial and office	8,842

\* The lease period of leasehold land expired in September 2019 and the Company has renewed the lease for a further 30-year period.

At the reporting date, buildings on leasehold land of the Group and the Company with total net carrying amount of approximately US\$12,862,000 (2019: US\$13,153,000), were pledged to Standard Chartered Bank, Singapore Branch for uncommitted banking facilities (trade facilities) granted to the Group's subsidiary, Orient-Salt Chemicals Pte. Ltd.

Impairment test for plant and equipment and ROU assets

An impairment assessment was carried out by management on the Group's plant and equipment (excluding the buildings on leasehold land which are carried at fair value) with a carrying amount of US\$270,000 (2019: US\$952,000) and ROU assets with a carrying amount of US\$2,040,000 (2019: US\$2,150,000). The impairment assessment was performed on the respective cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU based on value in use ("VIU") calculation.

For the purpose of impairment testing assessment, plant and equipment and ROU assets has been allocated to the cash generating units ("CGUs") as determined by the management:

<u>CGUs</u>	<u>Segment</u>	<b>2020</b>	2019
		<b>US\$'000</b>	US\$'000
The Company and ARPL	Printing related	<b>2,141</b>	2,227
OSC and its subsidiaries	Chemical	<b>129</b>	185
Orient-hill	Chemical	<b>40</b>	690
		<b>2,310</b>	3,102

In 2020, the impairment loss of US\$636,000 (2019: \$Nil) represents the write-down of certain plant and equipment in the Orient-hill to their recoverable amount as a result of poor financial performance. The impairment loss on these plant and equipment is recognised within "Other expenses" in profit or loss. The recoverable amount of US\$40,000 is based on their residual value which is a fair value hierarchy Level 3 measurement.

**Notes to the financial statements for the financial year ended 31 December 2020**

**7 Property, plant and equipment (Cont'd)**

Impairment test for plant and equipment and ROU assets (Cont'd)

The continually evolving situation due to COVID-19 pandemic during the year has resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment, the Group has changed to the expected cash flow approach, that uses several expectations (i.e. worst case, base case, best case) about possible cash flows, instead of the single cash flow approach used in previous year. Under the expected cash flow approach, the uncertainties about future outcomes are reflected through probability-weighted scenarios. The recoverable amount is estimated by calculating the present value of the probability-weighted expected cash flows. The use of the expected cash flow approach also aligns with management's internal forecast method.

The key assumptions underlying the Group's impairment assessment under the Expected Cash Flow approach are:

- Cash flow projections covering average useful life of the assets;
- The significant inputs and probability of each scenario are set out in the table as follows:

2020	<b>Worst case</b> %	<b>Base case</b> %	<b>Best case</b> %
Growth rate <sup>1</sup>	2.8	3.0	3.4
Discount rate <sup>2</sup>	11.23	10.23	9.23
Probability weightage	10	65	25

The significant inputs used in 2019 are set out in the table as follows:

	%
Growth rate <sup>1</sup>	5.4
Discount rate <sup>2</sup>	10.48

The sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	<u>Change in assumption, holding other inputs constant</u>	<u>Additional impairment charge</u> US\$'000
Growth rate <sup>1</sup>	Reduced by 0.2%	Nil
Discount rate <sup>2</sup>	Increased by 1.0%	Nil
Probability weightage	Worst case: 10% Base case: 65% Best case: 25%	Nil

<sup>1</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.

<sup>2</sup> Pre-tax discount rate applied to the pre-tax cash flow projections.

**Notes to the financial statements for the financial year ended 31 December 2020**

**8 Right-of-use assets**

The Group leases the land for its buildings, office, office equipment, motor vehicle and forklift equipment. The average lease term is 2 year to 30 years (2019: 2 years to 30 years).

The leases for the land expired in the last financial year. The expired contract was extended through exercising the extension option. This resulted in additions to ROU assets of US\$1.9 million in 2019.

The Group	Leasehold land US\$'000	Office US\$'000	Office equipment US\$'000	Motor vehicle US\$'000	Forklift equipment US\$'000	Total US\$'000
Cost:						
At 1 January 2019	77	-	-	138	-	215
Additions	1,935	144	-	-	8	2,087
Write off	(77)	-	-	-	-	(77)
Currency translation differences	-	-	-	2	-	2
<b>At 31 December 2019</b>	<b>1,935</b>	<b>144</b>	<b>-</b>	<b>140</b>	<b>8</b>	<b>2,227</b>
Additions	-	-	22	-	8	30
Currency translation differences	35	8	-	2	-	45
<b>At 31 December 2020</b>	<b>1,970</b>	<b>152</b>	<b>22</b>	<b>142</b>	<b>16</b>	<b>2,302</b>
Accumulated amortisation:						
At 1 January 2019	-	-	-	-	-	-
Additions	119	2	-	31	-	152
Write off	(77)	-	-	-	-	(77)
Currency translation differences	1	-	-	1	-	2
<b>At 31 December 2019</b>	<b>43</b>	<b>2</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>77</b>
Additions	62	71	3	32	8	176
Currency translation differences	3	5	-	1	-	9
<b>At 31 December 2020</b>	<b>108</b>	<b>78</b>	<b>3</b>	<b>65</b>	<b>8</b>	<b>262</b>
Carrying amount:						
<b>At 31 December 2020</b>	<b>1,862</b>	<b>74</b>	<b>19</b>	<b>77</b>	<b>8</b>	<b>2,040</b>
At 31 December 2019	1,892	142	-	108	8	2,150

**Notes to the financial statements for the financial year ended 31 December 2020**

**8 Right-of-use assets (Cont'd)**

The Company	Leasehold land US\$'000	Motor vehicle US\$'000	Total US\$'000
Cost:			
At 1 January 2019	77	138	215
Additions	1,935	-	1,935
Write off	(77)	-	(77)
Currency translation differences	-	2	2
At 31 December 2019	<b>1,935</b>	<b>140</b>	<b>2,075</b>
Currency translation differences	<b>35</b>	<b>2</b>	<b>37</b>
<b>At 31 December 2020</b>	<b>1,970</b>	<b>142</b>	<b>2,112</b>
Accumulated amortisation:			
At 1 January 2019	-	-	-
Additions	119	31	150
Write off	(77)	-	(77)
Currency translation differences	1	1	2
At 31 December 2019	<b>43</b>	<b>32</b>	<b>75</b>
Additions	<b>62</b>	<b>32</b>	<b>94</b>
Currency translation differences	<b>3</b>	<b>1</b>	<b>4</b>
<b>At 31 December 2020</b>	<b>108</b>	<b>65</b>	<b>173</b>
Carrying amount:			
<b>At 31 December 2020</b>	<b>1,862</b>	<b>77</b>	<b>1,939</b>
At 31 December 2019	1,892	108	2,000

**9 Deferred tax**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The carrying amounts of deferred tax assets and liabilities, determined after appropriate offsetting, are shown on the statement of financial position, as follows:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Deferred tax assets</b>				
- To be recovered after one year	<b>91</b>	75	-	-
<b>Deferred tax liabilities</b>				
- To be settled after one year	<b>1,614</b>	2,086	<b>1,135</b>	1,892

**Notes to the financial statements for the financial year ended 31 December 2020**

**9 Deferred tax (Cont'd)**

Movements in deferred tax assets are as follows:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Deferred tax assets</b>				
Balance at beginning of year	75	171	-	-
Tax reversed/(charged) to profit or loss				
- current year (Note 33.1)	10	(95)	-	-
Currency translation differences	6	(1)	-	-
Balance at end of year	91	75	-	-

The deferred tax assets balance comprises tax on unutilised tax losses which can be carried forward within 5 years, which will expire in year 2025.

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Deferred tax liabilities</b>				
Balance at beginning of year	2,086	1,891	1,892	1,891
Tax reversed to asset revaluation reserve				
- current year (Note 20)	(758)	(23)	(758)	(23)
Tax charged to fair value reserve				
- current year (Note 20)	282	193	-	-
Currency translation differences	4	25	1	24
Balance at end of year	1,614	2,086	1,135	1,892

The deferred tax liabilities balance are attributable to the potential tax in the event of sales of the buildings on leasehold land and financial asset at FVTOCI.

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2020 and 2019, no deferred tax liability has been recognised for the taxes that would be payable on the distributable earnings of certain subsidiaries as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future.

**10 Inventories**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Raw materials and consumables, at net realisable value	7	5	-	-
Work in progress, at cost	14	23	-	-
Goods in transit, at cost	3,460	2,802	-	-
Finished goods, at cost	12,459	14,424	-	-
Balance at end of year	15,940	17,254	-	-
Changes in inventories	393,565	344,408	-	-

**Notes to the financial statements for the financial year ended 31 December 2020**

**10 Inventories (Cont'd)**

The inventories for the financial year ended 31 December 2020 comprise US\$15,879,000 (2019: US\$17,151,000) of chemical products in relation to its chemical trading business and US\$61,000 (2019: US\$103,000) for provision of water treatment solutions using microbial and/or chemicals business.

Write-down/(reversal) of inventories to net realisable value of \$48,000 (2019: (US\$4,000)) is included within "Other expenses" in profit or loss.

**11 Trade receivables**

	Note	The Group		The Company	
		31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Trade receivables					
- external parties		<b>29,727</b>	12,708	<b>403</b>	520
- related party		<b>978</b>	3,459	-	-
<b>Total trade receivables</b>		<b>30,705</b>	16,167	<b>403</b>	520
<b>Less: Loss allowances</b>					
At beginning of year		<b>595</b>	762	<b>520</b>	673
Provision/ (Reversal) of expected loss allowance	29, 33	<b>2</b>	(17)	-	(5)
Write off		<b>(121)</b>	(157)	<b>(121)</b>	(155)
Currency translation differences		<b>6</b>	7	<b>4</b>	7
<b>At end of year</b>		<b>482</b>	595	<b>403</b>	520
<b>Net trade receivables</b>		<b>30,223</b>	15,572	-	-

Included in external trade receivables of US\$644,000 (2019: US\$485,000) are trade receivables factored with banks without recourse.

As at 1 January 2020, the Group's gross trade receivables related to revenue from contracts with customers due from non-related parties amounted to US\$12,708,000 (2019: US\$9,890,000).

Trade receivables are non-interest bearing and are generally on 2 to 150 (2019: 0 to 150) days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the end of the reporting period, trade receivables arising from Chemical trading amounting to US\$15,010,000 (2019: US\$1,378,000) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

Credit risks exposure

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 120 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

**Notes to the financial statements for the financial year ended 31 December 2020**

**11 Trade receivables (Cont'd)**

Credit risks exposure (Cont'd)

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2020 and 2019 are set out in the provision matrix as follows:

	Current US\$'000	Past due				Total US\$'000
		Within 30 days US\$'000	31 to 60 days US\$'000	61 to 90 days US\$'000	More than 90 days US\$'000	
The Group						
<b>31 December 2020</b>						
<u>Chemicals Trading</u>						
<i>ECL rate</i>	0.03%	0%	0%	0%	0%	
Trade receivables - Gross	<b>28,239</b>	<b>1,848</b>	-	-	<b>52</b>	<b>30,139</b>
Loss allowance	<b>(8)</b>	-	-	-	-	<b>(8)</b>
<u>Printing related services</u>						
<i>ECL rate</i>	0%	0%	0%	0%	100%	
Trade receivables - Gross	<b>61</b>	<b>22</b>	<b>7</b>	<b>2</b>	<b>474</b>	<b>566</b>
Loss allowance	-	-	-	-	<b>(474)</b>	<b>(474)</b>
<b>31 December 2019</b>						
<u>Chemicals Trading</u>						
<i>ECL rate</i>	0.04%	0%	0%	0%	0.12%	
Trade receivables - Gross	12,900	1,108	-	627	865	15,500
Loss allowance	(5)	-	-	-	(1)	(6)
<u>Printing related services</u>						
<i>ECL rate</i>	0%	0%	0%	0%	100%	
Trade receivables - Gross	51	26	1	-	589	667
Loss allowance	-	-	-	-	(589)	(589)
The Company						
<b>31 December 2020</b>						
<u>Printing services</u>						
<i>ECL rate</i>	0%	0%	0%	0%	100%	
Trade receivables - Gross	-	-	-	-	<b>403</b>	<b>403</b>
Loss allowance	-	-	-	-	<b>(403)</b>	<b>(403)</b>
<b>31 December 2019</b>						
<u>Printing services</u>						
<i>ECL rate</i>	0%	0%	0%	0%	100%	
Trade receivables - Gross	-	-	-	-	520	520
Loss allowance	-	-	-	-	(520)	(520)

**Notes to the financial statements for the financial year ended 31 December 2020**

**11 Trade receivables (Cont'd)**

Significant concentration of credit risks

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<u>By geographical areas</u>				
PRC	11,702	10,367	-	-
Asia - Others	17,246	3,209	-	-
Others	1,275	1,996	-	-
	<b>30,223</b>	<b>15,572</b>	<b>-</b>	<b>-</b>

As of 31 December 2020, the Group's trade receivables included 1 debtor (2019: 3 debtors) that represented 12% (2019: 57%) of trade receivables. 3% (2019: 22%) of the Group's trade receivables were due from a related party, who is also one of the Group's significant customer. Apart from this, there are no significant concentrations of credit risk, whether through exposure to individual customers, business segment and/or geographical regions. There is no concentration of customers' credit risk at the Company level.

Further details of the Group's financial risk management of credit risk and foreign currency risk exposure are set out in Note 39.

**12 Other receivables and deposits**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Other receivables:				
Goods and service tax receivables	790	491	-	-
Others	661	241	30	27
Sub-total	1,451	732	30	27
Deposits	63	63	4	3
Total	<b>1,514</b>	<b>795</b>	<b>34</b>	<b>30</b>

Other receivables are non-interest bearing and are generally on 0 to 90 (2019: 0 to 90) days' term.

The Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for future outlook of industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-months ECL and determined that the ECL is insignificant. There is no credit loss allowance for other receivables at amortised costs as at 31 December 2020 and 2019.

Further details of the Group's financial risk management of credit risk and foreign currency risk exposure are set out in Note 39.

**Notes to the financial statements for the financial year ended 31 December 2020**

**13 Advances and prepayments**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Advances to suppliers	7,040	6,142	-	-
Prepayments	79	25	18	17
	<b>7,119</b>	<b>6,167</b>	<b>18</b>	<b>17</b>

As part of the current core business, the Group procures chemical products for sales to customers. The advances to suppliers amounting to US\$7,040,000 (2019: US\$6,142,000) were made for the procurement of chemical supplies in respect of OSC's chemical trading business. The chemical supplies amounting to US\$6,581,000 (2019: US\$5,885,000) were subsequently received and sold as of the date of the financial statements.

**14 Amounts due from/(to) subsidiaries**

	31 December 2020 US\$'000	31 December 2019 US\$'000
The Company		
<u>Amount due from subsidiaries</u>		
- Trade	1,210	825
- Non-trade	3,244	3,171
	<b>4,454</b>	<b>3,996</b>
<u>Less: Loss allowances</u>		
At beginning of year	734	725
Currency translation differences	14	9
At end of year	<b>748</b>	<b>734</b>
	<b>3,706</b>	<b>3,262</b>
<u>Amount due to a subsidiary</u>		
- Non-trade	641	-

Non-trade amounts due from/(to) subsidiaries are unsecured, interest-free (except for the amount disclosed below), repayable on demand and are to be settled in cash.

The non-trade amount due to a subsidiary of US\$641,000 bears interest at 3% per annum.

Further details of the Group's financial risk management of credit risk and foreign currency risk exposures are set out in Note 39.

**15 Financial assets at fair value through profit or loss ("FVTPL")**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Held for trading				
<u>Quoted equity investments:</u>				
At beginning of year	141	189	-	-
Additions	338	3	-	-
Disposals	(340)	(43)	-	-
Fair value loss recognised in profit or loss (Note 29)	(2)	(10)	-	-
Currency translation differences	4	2	-	-
At end of year	<b>141</b>	<b>141</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements for the financial year ended 31 December 2020**

**15 Financial assets at fair value through profit or loss (“FVTPL”) (Cont’d)**

Investment in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. Fair value loss on equity investments at FVTPL of \$2,000 (2019: \$10,000) has been included in profit or loss for the year as part of “Other operating income”.

The fair values of quoted equity investments are determined by reference to relevant stock exchange closing quoted market prices on the last market day of the financial year and are denominated in Singapore dollar. Further details of the Group’s financial risk management of market price risk are disclosed in Note 39.3.

**16 Derivative financial instruments**

The Group and the Company	<b>31 December 2020 US\$’000</b>	31 December 2019 US\$’000
<b>Derivative asset</b>		
At beginning of the year	228	134
Fair value gain recognised in profit or loss (Note 29)	133	93
Currency translation differences	7	1
<b>At end of year</b>	<b>368</b>	<b>228</b>
<b>Derivative liability</b>		
At beginning of the year	2	230
Fair value gain recognised in profit or loss (Note 29)	(2)	(225)
Currency translation differences	-	(3)
<b>At end of year</b>	<b>-</b>	<b>2</b>

Pursuant to the PCOA as mentioned in Note 5 to the financial statements, Mr. Shi Jiangang, the Chairman and Director of the Company, has granted the Company an interest-free loan that is repayable on 13 March 2022 (refer to Note 21(a)) and provides the director with a Call Option to convert the loan into 40% Subsidiary Shares held by the Company at any time between 13 March 2019 to 13 March 2022 (the “Option Period”). In addition, under the PCOA, Mr. Shi Jiangang has granted a Put Option to the Company which provides the Company with the right to put the 40% Subsidiary Shares to Mr. Shi Jiangang over the Option Period subject to the terms and conditions of the PCOA.

The Put Option (derivative asset) and the Call Option (derivative liability) have been valued by the independent professional valuers and the changes in their fair values gain of US\$133,000 (2019: US\$93,000) and US\$2,000 (2019: US\$225,000) respectively have been recognised in profit or loss during the financial year.

Derivative asset and derivative liability are denominated in Renminbi. Further details of the Group’s financial risk management of foreign currency risk exposures are set out in Note 39.2.

**17 Cash and bank balances**

	The Group		The Company	
	<b>31 December 2020 US\$’000</b>	31 December 2019 US\$’000	<b>31 December 2020 US\$’000</b>	31 December 2019 US\$’000
Cash on hand	2	2	2	2
Cash at banks	4,307	5,035	107	172
Fixed deposits	601	583	-	-
	<b>4,910</b>	<b>5,620</b>	<b>109</b>	<b>174</b>

**Notes to the financial statements for the financial year ended 31 December 2020**

**17 Cash and bank balances (Cont'd)**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fixed deposits has a maturity of within one year (2019: within one year), depending on the immediate cash requirements of the Group and earn interests at the respective fixed deposit rates. The weighted average effective interest rates as at 31 December 2020 for the Group was range from 0.75% to 0.97% (2019: 0.75%) per annum.

For the purpose of the consolidated statement of cash flows, the year-end cash and cash equivalents comprises the following:

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Group		
Cash and bank balances, as above	<b>4,910</b>	5,620
Less: Fixed deposits pledged	<b>(210)</b>	(583)
Cash and cash equivalents per consolidated statement of cash flows	<b>4,700</b>	5,037

For the year ended 31 December 2020, fixed deposits of US\$210,000 (2019: US\$583,000) have been pledged to a financial institution to obtain bank borrowings (2019: trade facilities and bank borrowings).

Included in cash and cash equivalents of US\$2,483,000 (2019: US\$1,106,000) held in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

Further details of the Group's financial risk management of credit risk and foreign currency risk exposures are set out in Note 39.

**18 Share capital**

	<b>No. of shares</b>		<b>Amount</b>	
	<b>31 December 2020</b>	31 December 2019	<b>31 December 2020</b>	31 December 2019
	<b>'000</b>	'000	<b>US\$'000</b>	US\$'000
The Group and The Company				
<b>Issued and fully paid ordinary shares with no par value:</b>				
At beginning and at end of year	<b>642,750</b>	642,750	<b>33,246</b>	33,246

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

Please refer to Note 43 for subsequent events relating to the share capital of the Company.

**19 Other equity instruments**

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Group and The Company		
Warrants - At beginning and at end of year	<b>2,011</b>	2,011

**Notes to the financial statements for the financial year ended 31 December 2020**

**19 Other equity instruments (Cont'd)**

On 31 January 2017, the Company allotted and issued a renounceable non-underwritten rights issue of S\$12,855,000 in principal amount consisting of zero-coupon bonds due in 2021 (“Bonds”) with principal amount of S\$0.02 for each bond, with up to 642,750,000 free detachable European Warrants (“Warrants”). The main terms of the Warrants are as follows:

- (a) Each warrant carries the right to subscribe for one new share in the Company at an exercise price of S\$0.02 for each new share. The warrant is exercisable on the market day immediately preceding the fourth anniversary of the date of issue of the warrants. The number of new shares to be allotted and issued by the Company, pursuant to the full exercise of the warrants, is 642,750,000 shares, which represents 100 percent of the number of issued shares in the Company.
- (b) The warrants are immediately detachable from the bonds upon issue, issued in registered form and listed and traded separately on the SGX-ST under the book-entry (scripless) settlement system, upon the listing of and quotation for the warrants on the SGX-ST, subject to, amongst others, an adequate spread of holdings of the warrants to provide for an orderly market in the warrants.
- (c) The new shares arising from the exercise of the warrants, upon issue and allotment, will rank pari passu in all respects with the then existing shares in issue, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the new shares.

The Warrant (equity conversion) which is not closely related to the Bonds was classified as other equity instruments based on its fair value at inception date.

Please refer to Note 43 for subsequent development of the Warrants and Bonds.

**20 Reserves**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Translation reserve <sup>(1)</sup>	(784)	(1,300)	(1,162)	(1,196)
Asset revaluation reserve <sup>(2)</sup>	10,967	10,258	10,967	10,258
Fair value reserve <sup>(3)</sup>	2,345	773	-	-
Discount paid on acquisition of non-controlling interests <sup>(4)</sup>	1,386	1,386	-	-
Accumulated losses	(30,213)	(27,590)	(32,676)	(30,522)
	<b>(16,299)</b>	<b>(16,473)</b>	<b>(22,871)</b>	<b>(21,460)</b>

<sup>(1)</sup> Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements from functional currency to presentation currency of USD.

**Notes to the financial statements for the financial year ended 31 December 2020**

**20 Reserves (Cont'd)**

(2) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of buildings on leasehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The movements in the asset revaluation reserve are as follows:

The Group and The Company	Note	31 December 2020 US\$'000	31 December 2019 US\$'000
At beginning of year		10,258	10,371
Deficit on revaluation of buildings on leasehold land	7	(83)	(136)
Adjustment in deferred tax liabilities	9, 33.2	758	23
Currency translation differences		34	-
Sub-total		709	(113)
At end of year		10,967	10,258

The tax exposure of the Group and the Company in respect of the fair value gains on buildings on leasehold land is restricted to the amount of tax allowances that are utilised for income tax purpose. The adjustment in deferred tax liabilities reflects the effect of the amount of tax allowances that may be subject to taxation upon the future disposal of the aforesaid buildings.

(3) Fair value reserve

Fair value reserve relates to the changes in fair values gain of financial asset at FVTOCI as disclosed in Note 6.

The Group	Note	31 December 2020 US\$'000	31 December 2019 US\$'000
At beginning of year		773	-
Fair value gain	33.2	1,854	966
Charge of deferred tax liabilities	9, 33.2	(282)	(193)
Sub-total		1,572	773
At end of year		2,345	773

(4) Discount on acquisition of non-controlling interests

The Group	31 December 2020 US\$'000	31 December 2019 US\$'000
Balance at beginning and end of year	1,386	1,386

This represents the difference between the consideration paid and the carrying amount of additional equity interest of a subsidiary acquired from non-controlling interests.

**21 Loan from a director**

	Note	The Group		The Company	
		31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Non-Current</b>					
Interest-free loan from a director	21(a)	327	297	327	297
<b>Current</b>					
Loan from a director	21(b)	240	-	-	-
		567	297	327	297

**Notes to the financial statements for the financial year ended 31 December 2020**

**21 Loan from a director (Cont'd)**

**21(a) Interest-free loan from a director**

As disclosed in Note 5 to the financial statements, pursuant to the PCOA entered on 14 March 2018, Mr. Shi Jiangang, the Chairman and Director of the Company, has granted the Company an interest-free loan of RMB2.4 million that is repayable on 13 March 2022 and provides the director with the Call Option to convert the loan into 40% equity interest in the shares of the subsidiary, Orient-hill (the “40% Subsidiary Shares”), held by the Company at any time between 13 March 2019 to 13 March 2022.

Subject to the terms of the contract and save for any profit distribution, the RMB2.4 million interest-free loan mirrors the exercise price on the Call Option and Put Option of a consideration sum of RMB2.4 million (less any profit to be distributed).

The fair value of the interest-free loan of US\$249,000 has been determined by an independent professional valuer at inception.

The movements in the interest-free loan at amortised cost are as follows:

	<b>31 December 2020 US\$'000</b>	31 December 2019 US\$'000
The Group and The Company		
Balance at beginning of year	<b>297</b>	269
Add: accretion of interest (Note 32)	<b>31</b>	28
Currency translation differences	<b>(1)</b>	-
<b>Balance at end of year</b>	<b>327</b>	297

The interest free loan from a director is denominated in Renminbi. Further details of the Group’s financial risk management of foreign currency risk and liquidity risk exposures are set out in Note 40.

**21(b) Loan from a director**

The loan from a director of US\$240,000 (2019: US\$Nil) denominated in Renminbi was granted to the Group by Mr Shi Jiangang, the Chairman and Director of the Company, in respect of the water treatment business under chemical segment. The loan bears interest at 6% per annum, is unsecured and repayable in one year from the loan drawdown date.

Further details of the Group’s financial risk management of foreign currency risk and liquidity risk exposures are set out in Note 39.

**22 Borrowings**

	The Group		The Company	
	<b>31 December 2020 US\$'000</b>	31 December 2019 US\$'000	<b>31 December 2020 US\$'000</b>	31 December 2019 US\$'000
<b>Non-current</b>				
Bond payables (Note 22.1)	-	8,208	-	8,208
Bank loan (Note 22.2)	<b>2,707</b>	-	-	-
	<b>2,707</b>	8,208	-	8,208
<b>Current</b>				
Bond payables (Note 22.1)	<b>9,613</b>	-	<b>9,613</b>	-
Bank loans (Note 22.2)	<b>917</b>	184	-	-
	<b>10,530</b>	184	<b>9,613</b>	-
<b>Total</b>	<b>13,237</b>	8,392	<b>9,613</b>	8,208

## **22 Borrowings (Cont'd)**

### **22.1 Bond payables**

On 17 June 2016, the Company announced a renounceable non-underwritten rights issue of up to S\$12,855,000 in principal amount of zero-coupon bonds due 2021 (“Bonds”), with principal amount of S\$0.02 for each bond together with 642,750,000 free detachable European warrants (“Warrants”). The issue price of the bonds will comprise 80% of the principal amount. 642,750,000 bonds with detachable warrant had been allotted and issued on 31 January 2017.

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Group and the Company and shall at all times rank pari passu and without any preference among themselves. The Group and the Company reserve the right to incur further debt and take on further borrowings which rank in priority to the Bonds.

Unless previously redeemed or purchased and cancelled, the Group and the Company will redeem each bond at one hundred percent (100%) of its principal amount on the maturity date at 30 January 2021. Please refer to Note 43 for subsequent development on the settlement of the bond upon its maturity.

The bond is measured at amortised cost using the effective interest rate of 15%, based on the value of the debt liability at inception date. The amortised cost of the convertible bond is calculated using cash flows of the convertible bond at its corresponding discount rate.

The fair value of the bond payables as at 31 December 2017 is US\$6,545,000.

The bond payables are denominated in Singapore dollars. Further details of the Company’s financial risk management of liquidity risk exposures are set out in Note 40.

### **22.2 Bank loans**

The subsidiaries of the Group have two principal bank loans:

- (i) As at 31 December 2020, a wholly owned subsidiary of the Company has JPY-denominated short-term borrowings of JPY20 million, which bear an interest of 1.32% (2019: 1.57%) per annum and has a maturity of one year. The bank borrowing is pledged with bank deposits of US\$210,000 (2019: US\$204,000) of another subsidiary.
- (ii) As at 31 December 2020, a wholly owned subsidiary of the Company has SGD-denominated Temporary Bridging Loan of SGD5 million under Singapore Enterprise Financing Scheme, which bear an interest of 3.00% (2019: Nil) per annum and has a maturity of five years. The bank borrowing is secured by corporate guarantee of the Company.

Further details of the Company’s financial risk management of foreign currency risk, interest rate risk and liquidity risk exposures are set out in Note 39.

#### Fair value of non-current borrowings

The fair value is determined from the cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the end of reporting year end date which the directors expect to be available to the Group:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Bank loan	2,319	-	-	-

The fair values are within Level 2 of the fair value hierarchy.

**Notes to the financial statements for the financial year ended 31 December 2020**

**23 Lease liabilities**

The Group leases land for its buildings, office, motor vehicle and forklift equipment for the Company's use and the Group's printing business. The average lease term is 2 years to 30 years (2019: 2 to 30 years). Lease liabilities are payable as follows:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Non-Current</b>				
Between two to five years	204	262	188	175
More than five years	1,816	1,855	1,816	1,855
	<b>2,020</b>	<b>2,117</b>	<b>2,004</b>	<b>2,030</b>
<b>Current</b>				
Within one year	150	131	64	52
	<b>2,170</b>	<b>2,248</b>	<b>2,068</b>	<b>2,082</b>

**Amounts recognised in profit or loss**

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
The Group		
Amortisation of ROU assets	(176)	(152)
Interest expense on lease liabilities	(107)	(79)
Income from sub-leasing presented in "other operating income"	29	37
Expenses relating to short-term leases	(2,326)	(1,999)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	(5)

**Amounts recognised in statement of cash flows**

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
The Group		
Total cash outflow for leases	242	142

Total cash outflow for all the leases in 2020 was US\$2,568,000 (2019: US\$2,146,000).

**24 Provision**

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
At beginning of year	11	11	11	11
Reversal	(11)	-	(11)	-
At end of year	-	11	-	11

This relates to provision for restoration cost in respect of the buildings on leasehold land. The provision is denominated in Singapore dollars. The unwinding of discount during the year is insignificant. The total expected costs to be incurred of US\$11,000 were reversed during the financial year as it is no longer required.

**Notes to the financial statements for the financial year ended 31 December 2020**

**25 Trade payables**

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	<b>37,665</b>	27,304	<b>43</b>	51

Trade payables are non-interest bearing and have credit terms of between 5 and 90 (2019: 5 and 90) days.

Further details of the foreign currencies denomination of trade payables and the Group's financial risk management of foreign currency risk and liquidity risk exposures are disclosed in Note 39.

**26 Other payables and accruals**

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Goods and service tax receivables	<b>10</b>	11	<b>9</b>	11
Accrued operating expenses	<b>806</b>	650	<b>137</b>	145
Accrued employee benefits	<b>365</b>	520	<b>40</b>	18
Other payables	<b>520</b>	569	<b>74</b>	84
	<b>1,701</b>	1,750	<b>260</b>	258

Other payables are non-interest bearing and normally settled on 0 to 60 (2019: 0 to 60) days' terms.

Further details of the foreign currencies denomination of other payables and accruals and the Group's financial risk management of foreign currency risk and liquidity risk exposures are disclosed in Note 39.

**27 Advances from customers**

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Advances from customers	<b>5,013</b>	5,150	-	-

As at 1 January 2020, the Group's advances from customer related to revenue from contracts with customers amounted to US\$5,150,000 (2019: US\$7,008,000). The advances from customers were made in relation to the sales of chemical supplies in respect of OSC's chemical trading business.

Revenue recognised in current period that was included in the advances from customers at the beginning of the financial year was US\$5,150,000 (2019: US\$7,008,000).

**Notes to the financial statements for the financial year ended 31 December 2020**

**28 Revenue**

	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
The Group		
Chemicals	410,534	360,261
Printing related	613	213
	<b>411,147</b>	<b>360,474</b>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	Chemicals		Printing related		Total US\$'000
	At point in time US\$'000	Over time US\$'000	At point in time US\$'000	Over time US\$'000	
<b>2020</b>					
- PRC	281,618	-	-	-	281,618
- Taiwan	20,971	-	-	-	20,971
- Indonesia	21,237	-	-	-	21,237
- Singapore	26,484	-	302	311	27,097
- Thailand	15,515	-	-	-	15,515
- Japan	14,228	-	-	-	14,228
- Other countries in Asia	25,441	-	-	-	25,441
- Others	5,040	-	-	-	5,040
	<b>410,534</b>	<b>-</b>	<b>302</b>	<b>311</b>	<b>411,147</b>
<b>2019</b>					
- PRC	241,516	-	-	-	241,516
- Taiwan	26,239	-	-	-	26,239
- Indonesia	24,011	-	-	-	24,011
- Singapore	21,342	-	120	93	21,555
- Thailand	4,275	-	-	-	4,275
- Japan	10,391	-	-	-	10,391
- Other countries in Asia	14,495	-	-	-	14,495
- Others	17,992	-	-	-	17,992
	<b>360,261</b>	<b>-</b>	<b>120</b>	<b>93</b>	<b>360,474</b>

The Group applies the practical expedient in SFRS(I)15 and does not disclose information about its remaining performance obligation as the performance obligation is part of contracts that have original expected duration of one year or less.

The Group has assessed each contract under the requirements of SFRS(I) 15 and concluded that there are two distinct performance obligations which are satisfied at different timings for certain contracts. This is applicable due to its subsidiaries, OSC's trading businesses where shipping services are provided mainly under Cost and Freight ("CFR") international commercial term ("incoterm"), which is considered as a distinct service and, therefore, a separate performance obligation to which a proportion of the transaction price should be allocated and recognised over time as the shipping services are provided.

The impact on the timing of revenue recognition of the proportion allocated to the shipping service was not significant as it represented approximately 2.5% or US\$10,243,000 (2019: 2.7% or US\$9,610,000) for the financial year ended 31 December 2020. Therefore, such revenue may not be presented separately in the Group's financial statements.

**Notes to the financial statements for the financial year ended 31 December 2020**

**29 Other operating income**

The Group	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Bad debt recovered		-	22
Dividend income from financial assets at FVTPL		2	3
Exchange gain, net		1,136	-
Fair value gain from derivative asset at FVTPL	16	133	93
Fair value gain from derivative liability at FVTPL	16	2	225
Fair value loss from financial assets at FVTPL	15	(2)	(10)
Gain on disposal of financial assets at FVTPL		18	8
Gain on disposal of paper inventory		-	12
Government grants		169	1
Interest income		26	41
Income from subleasing		29	37
(Provision)/ Reversal of expected loss allowance for trade receivables, net	11	(2)	17
Realised gain from futures contract		-	15
Others		63	26
		<b>1,574</b>	<b>490</b>

Included in government grant income is Job Support Scheme (“JSS”) grant of US\$92,000 (2019: \$Nil) from the Singapore Government to help employers to retain their local employees during the period of economic uncertainty as a result of COVID-19. JSS grant income is allocated over the period of uncertainty to match the related staff costs for which the grant is intended to compensate.

**30 Employee benefits expenses**

The Group	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Salaries, bonuses and other costs	2,512	2,551
Employer’s contribution to defined contribution plans	270	377
	<b>2,782</b>	<b>2,928</b>

Included in the above is key management personnel compensation, excluding fees paid to non-executive directors, which is included in Note 36.

**31 Other expenses**

The Group	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Auditors’ remuneration:			
- auditor of the company		64	62
- other auditors		29	34
Bank charges		336	301
Commission expense		65	101
Demurrage		352	337
Directors’ fee		72	73
Entertainment expense		201	302
Exchange loss, net		-	207
Impairment loss on plant and equipment	7	636	-
Insurance expenses		103	102

**Notes to the financial statements for the financial year ended 31 December 2020**

**31 Other expenses (Cont'd)**

The Group	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Leases of low-value assets		-	5
Legal and professional fee		202	267
Loss on contract cancellation		499	-
Management fee		22	22
Office expenses		54	37
Plant and equipment written off	7	20	-
Property tax		61	88
Realised loss from futures contract		201	-
Repair and maintenance		62	41
Security fee		79	84
Short-term leases		2,326	1,999
Surveyor fees		114	108
Telephone expenses		47	44
Transport expenses		40	22
Travel expenses		93	182
Utilities		37	26
Write-down/(Reversal) of inventories, net	10	48	(4)
Others		378	256
		<b>6,141</b>	<b>4,696</b>

The loss on contract cancellation relates to the amount paid to a customer for the non-fulfilment of a contract with the customer due to volatility in chemical supplies.

**32 Finance costs**

The Group	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
Interest expense			
- Non-cash interest expenses on zero-coupon bonds		1,204	1,058
- Non-cash interest expenses of interest-free loan from a director	21(a)	31	28
- Non-cash interest expenses on lease liabilities		107	79
- Letter of credit		22	57
- Factoring interest		70	39
- Interest expenses on loan from a director		10	-
- Interest expenses on bank borrowing		55	2
		<b>1,499</b>	<b>1,263</b>

**Notes to the financial statements for the financial year ended 31 December 2020**

**33 Taxation**

**33.1 Income tax recognised in profit or loss**

The Group	Note	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Current tax expense</b>			
- Current year		465	53
- Over provision in prior year		-	(37)
- Tax losses carry forward used in group relief		-	(202)
- Tax refund under Loss Carry-Back Relief scheme		-	(4)
<b>Deferred taxation</b>			
- Current year	9	(10)	95
<b>Tax expense/ (credit)</b>		<b>455</b>	<b>(95)</b>

***Reconciliation of effective tax rate***

The tax expense on the results of the financial year varies from the amount of income tax determined by applying each entity's domestic rates of income tax on the Group's results as a result of the following:

The Group	Year ended 31 December 2020 US\$'000	Year ended 31 December 2019 US\$'000
<b>Loss before taxation</b>	<b>(2,218)</b>	<b>(2,587)</b>
Tax at the domestic rates applicable to profit/(loss) in the countries concerned <sup>(1)</sup>	<b>(398)</b>	(485)
Non-deductible expenses <sup>(2)</sup>	<b>670</b>	470
Non-taxable income	<b>(82)</b>	(57)
Utilisation of prior year tax losses	-	(126)
Tax losses carry forward used in group relief <sup>(3)</sup>	-	(202)
Deferred tax assets on current year losses not recognised	<b>265</b>	342
Over provision in prior year	-	(37)
	<b>455</b>	<b>(95)</b>

(1) The domestic tax rates applicable to profit of the following companies are as follows:

	<b>Country</b>	<b>Rate</b>	<b>Basis</b>
Abundance International Limited	Singapore	17.0%	Full tax
Abundance Resources Pte. Ltd.	Singapore	17.0%	Full tax
Orient-Salt Chemicals Pte. Ltd.	Singapore	17.0%	Full tax
Abundance Investments Pte. Ltd.	Singapore	17.0%	Full tax
Orient-Salt Chemicals (Shanghai) Co., Ltd.	PRC	25.0%	Full tax
Zhangjiagang Orient-hill Microorganisms Technology Co., Ltd.	PRC	25.0%	Full tax
Touen Japan Co., Ltd.	Japan	34.6%	Full tax

(2) This relates to disallowed expenditure incurred in the ordinary course of business. The increase was mainly due to amortisation, depreciation and higher non-cash interest expenses of the Group.

(3) The Company transferred unabsorbed capital allowance and trade losses of US\$1,445,000 in total to one of its subsidiary company under the group relief system during the last financial year, subject to compliance with the relevant rules and procedures and agreement of Inland Revenue Authorities of Singapore. After the transfer of the unabsorbed capital allowances and trade losses as mentioned above, the Group has unabsorbed tax losses of US\$3,061,000 (2019: US\$1,500,000) available for offset against future taxable income subject to the agreement of Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act. The tax losses have no expiry date.

**Notes to the financial statements for the financial year ended 31 December 2020**

**33 Taxation (Cont'd)**

33.2 Other comprehensive loss, net of tax

The Group	Before tax US\$'000	Currency translation differences US\$'000	Tax credit/ (expense) US\$'000	Net of tax US\$'000
<b>31 December 2020</b>				
Asset revaluation reserve	(83)	34	758	709
Fair value reserve	1,854	-	(282)	1,572
Foreign currency translation differences	516	-	-	516
	<b>2,287</b>	<b>34</b>	<b>476</b>	<b>2,797</b>
<b>31 December 2019</b>				
Asset revaluation reserve	(136)	-	23	(113)
Fair value reserve	966	-	(193)	773
Foreign currency translation differences	(94)	-	-	(94)
	<b>736</b>	<b>-</b>	<b>(170)</b>	<b>566</b>

**34 Loss per share**

Basic and diluted loss per share are calculated by dividing the net loss for the year attributable to equity holder of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The Group	Year ended 31 December 2020	Year ended 31 December 2019
Net loss attributable to equity holders of the Company (US\$'000) (A)	<b>(2,625)</b>	(2,484)
Weighted average number of ordinary shares outstanding for basic loss per share ('000) (B)	<b>642,750</b>	642,750
Weighted average number of ordinary shares outstanding for diluted loss per share ('000) (C)	<b>642,750</b>	642,750
Basic loss per share (cents per share) (A)/(B)	<b>(0.41)</b>	(0.39)
Diluted loss per share (cents per share) (A)/(C)	<b>(0.41)</b>	(0.39)

The effect of the warrants as potential ordinary shares is antidilutive. This is because the conversion to ordinary shares would decrease loss per share. Accordingly, the calculation of diluted loss per share does not assume conversion because that would have an antidilutive effect on loss per share.

The effect of Put Option in Orient-hill, a subsidiary is anti-dilutive. Hence, it was disregarded in the calculation of dilutive loss per share calculation at Group.

**Notes to the financial statements for the financial year ended 31 December 2020**

**35 Leases**

**(i) The Group as lessee**

Refer to Note 23 for details.

**(ii) The Group as an intermediate lessor**

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out certain factory space to a third party for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating lease.

Income from subleasing certain factory space recognised during the financial year ended 31 December 2020 was US\$29,000 (2019: US\$37,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Group		
Within one year	-	8,000

**36 Related party transactions**

Other than as disclosed elsewhere in the financial statements, significant transactions with related parties on terms agreed between the parties are as follows:

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Group		
Non-cash interest expenses on an interest-free loan from a director	<b>(31)</b>	(28)
Interest expenses of loan from a director	<b>(10)</b>	-
Loan from a director	<b>240</b>	-
Sales to related parties	<b>19,868</b>	27,483
Purchases from related parties	<b>(33,201)</b>	(34,377)
Rental of office space	<b>(109)</b>	(109)
Rental of factory	<b>(22)</b>	(22)
Rental of vehicles	<b>(67)</b>	(91)

During the financial year ended 31 December 2020, the Company charged management fees of US\$360,000 (2019: US\$360,000) and transferred its trade loss benefits of US\$Nil (2019: US\$202,000) under the group relief system to a subsidiary. The group relief transfer is subject to compliance with the relevant rules, procedures and agreement of Inland Revenue Authority of Singapore.

**Key management personnel compensation**

	The Group		The Company	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Short-term employee benefits	<b>568</b>	574	<b>486</b>	486
Employer's contribution to defined contribution plans	<b>41</b>	40	<b>26</b>	26
	<b>609</b>	614	<b>512</b>	512

**Notes to the financial statements for the financial year ended 31 December 2020**

**36 Related party transactions (Cont'd)**

Remuneration paid to employees who are family members of the directors

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
Short-term employee benefits	187	183	-	-
Employer's contribution to defined contribution plans	15	15	-	-
	<b>202</b>	<b>198</b>	<b>-</b>	<b>-</b>

**37 Operating segments**

**Business segments**

For management reporting purposes, the Group is organised into the following reportable operating segments which are the Group's strategic business units as follows:

- (i) Chemicals - covers the chemical trading business and provision of water treatment solutions using microbial and/or chemicals.
- (ii) Printing related - covers the paper management related activities including outstanding and new sales orders that were received in respect of the Printing Business which were outsourced to other printers to produce on behalf of the Group.
- (iii) Investment - covers the investment business.

There are no operating segments that have been aggregated to form the above reportable operating segments.

Sales to external customers disclosed in geographical segments are based on the geographical location of the customers.

The Managing Director monitors the operating results of its operating segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments. Sales between operating segments are carried out at arm's length.

**Notes to the financial statements for the financial year ended 31 December 2020**

**37 Operating segments (Cont'd)**

	Chemicals		Printing related		Investment		Consolidated	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales to external customers	410,534	360,261	613	213	-	-	411,147	360,474
<b>Segment revenue</b>	<b>410,534</b>	<b>360,261</b>	<b>613</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>411,147</b>	<b>360,474</b>
<b>Segment results</b>								
EBITDA/ (LBITDA)*	324	(153)	(337)	(545)	(23)	(21)	(36)	(719)
Depreciation and amortisation	(157)	(33)	(552)	(613)	-	-	(709)	(646)
Interest income	26	41	-	-	-	-	26	41
Interest expenses	(158)	(98)	(1,341)	(1,165)	-	-	(1,499)	(1,263)
Loss before income tax	35	(243)	(2,230)	(2,323)	(23)	(21)	(2,218)	(2,587)
Tax (expense)/ credit	(455)	(111)	-	202	-	4	(455)	95
<b>Loss for the year</b>	<b>(420)</b>	<b>(354)</b>	<b>(2,230)</b>	<b>(2,121)</b>	<b>(23)</b>	<b>(17)</b>	<b>(2,673)</b>	<b>(2,492)</b>
<b>Other material items:</b>								
Demurrage	(352)	(337)	-	-	-	-	(352)	(337)
Loss on contract cancellation	(499)	-	-	-	-	-	(499)	-
Impairment loss of plant and equipment	(636)	-	-	-	-	-	(636)	-
(Provision)/ Reversal of expected loss allowances for trade receivables, net	(2)	17	-	-	-	-	(2)	17
(Write-down)/ Reversal of inventories, net	(48)	4	-	-	-	-	(48)	4

**Notes:**

\* EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.

\* LBITDA – Losses Before Interest, Taxation, Depreciation and Amortisation.

**Notes to the financial statements for the financial year ended 31 December 2020**

**37 Operating segments (Cont'd)**

	Chemicals		Printing related		Investment		Elimination		Consolidated	
	31	31	31	31	31	31	31	31	31	31
	December	December	December	December	December	December	December	December	December	December
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	<b>60,205</b>	46,073	<b>26,583</b>	26,704	<b>6,457</b>	4,182	<b>(11,948)</b>	(10,943)	<b>81,297</b>	66,016
Deferred tax assets	<b>91</b>	75	-	-	-	-	-	-	<b>91</b>	75
Consolidated total assets	<b>60,296</b>	46,148	<b>26,583</b>	26,704	<b>6,457</b>	4,182	<b>(11,948)</b>	(10,943)	<b>81,388</b>	66,091
Segment liabilities	<b>44,441</b>	34,132	<b>3,932</b>	3,301	<b>3,628</b>	3,203	<b>(5,452)</b>	(4,171)	<b>46,549</b>	36,465
Loan from a director	<b>240</b>	-	<b>327</b>	297	-	-	-	-	<b>567</b>	297
Borrowings	<b>3,624</b>	184	<b>9,613</b>	8,208	-	-	-	-	<b>13,237</b>	8,392
Income tax liabilities	<b>492</b>	53	-	-	-	-	-	-	<b>492</b>	53
Deferred tax liabilities	-	-	<b>1,135</b>	1,892	<b>479</b>	194	-	-	<b>1,614</b>	2,086
Consolidated total liabilities	<b>48,797</b>	34,369	<b>15,007</b>	13,698	<b>4,107</b>	3,397	<b>(5,452)</b>	(4,171)	<b>62,459</b>	47,293
Capital expenditure	<b>68</b>	618	-	226	-	-	-	-	<b>68</b>	844
Investment in financial asset at FVTOCI	-	-	-	-	-	3,003	-	-	-	3,003

**37 Operating segments (Cont'd)**

**Geographical information**

The Group's three business segments operate in six main geographical areas:

- PRC – the operations in this area are principally the chemical trading business, provision of water treatment solutions using microbial and/or chemicals;
- Taiwan, Indonesia, Thailand, Japan – the operations in this area are principally the chemical trading business;
- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the chemical trading business, print and paper management related activities and in investment and trading of securities;
- Other countries in Asia – the operations include chemical trading sale in Vietnam, Malaysia, Korea and India; and
- Others – the operations include the chemical trading sale in European and middle east countries.

Revenue is attributed to geographical areas based on the geographical location of the Group's customers. The Group acts as a principal in the trading of chemical products because it has the primary responsibility for providing the goods to the customers or for fulfilling the order. In addition, the Group bears the inventory risk, credit risk and has latitude in establishing prices. The chemical products are sourced from numerous suppliers and the Group resell to its customers mainly based on Freight on Board ("FOB") or CFR terms. The Group earned a spread of 4.1% (2019: 4.4%) for trading in chemical products.

The Group's revenue by geographical areas is disclosed under Note 28.

There is no customer with 10% or more of the entity's revenue except for one customer from chemicals segment who has contributed 14% of the entity's revenue in year 2019.

**38 Financial instruments**

**Accounting classifications of financial assets and financial liabilities**

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Financial assets at amortised cost:</b>				
Trade receivables	30,223	15,572	-	-
Other receivables (less goods and services tax receivables) and deposits	724	304	34	30
Amounts due from subsidiaries	-	-	3,706	3,262
Cash and bank balances	4,910	5,620	109	174
Sub-total	35,857	21,496	3,849	3,466
<b>Financial asset at FVTOCI:</b>				
Equity investment at FVTOCI	5,910	3,984	-	-
<b>Financial assets at FVTPL:</b>				
Financial assets at FVTPL	141	141	-	-
Derivative asset	368	228	368	228
	42,276	25,849	4,217	3,694

**Notes to the financial statements for the financial year ended 31 December 2020**

**38 Financial instruments (Cont'd)**

**Accounting classifications of financial assets and financial liabilities (Cont'd)**

The carrying amounts of financial assets and financial liabilities in each category are as follows: (Cont'd)

	The Group		The Company	
	31 December 2020 US\$'000	31 December 2019 US\$'000	31 December 2020 US\$'000	31 December 2019 US\$'000
<b>Financial liabilities carried at amortised cost:</b>				
Trade payables	37,665	27,304	43	51
Other payables (less goods and services tax payables) and accruals	1,691	1,739	251	247
Interest-free loan from a director	327	297	327	297
Loan from a director	240	-	-	-
Amount due to a subsidiary	-	-	641	-
Borrowings	13,237	8,392	9,613	8,208
Lease liabilities	2,170	2,248	2,068	2,082
Sub-total	55,330	39,980	12,943	10,885
<b>Financial liabilities at FVTPL:</b>				
Derivative liability	-	2	-	2
	55,330	39,982	12,943	10,887

**39 Financial risk management objectives and policies**

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and their risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations. The key financial risks included market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies and evaluates financial risks in close co-operation with the Group's and the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and liquidity risk.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which they manage and measure the risk. Market risk exposures are measured using sensitivity analysis indicated below.

**39.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its bank balances and borrowings. The Group and the Company do not enter into derivative financial instruments contracts to hedge interest rate risk. The Group's policies are to obtain the most favourable interest rates available without increasing their foreign currency exposure. The Group and the Company are not exposed to significant interest rate risk as it does not have significant monetary financial instruments with variable interest rates.

**39 Financial risk management objectives and policies (Cont'd)**

**39.2 Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar, United States dollar and Renminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group uses currency futures to hedge its foreign currency risk on mainly USD and RMB currencies to limit its exposure to significant currency fluctuations. These contracts are classified as derivative contracts at fair value through profit or loss. There were no outstanding currency futures at 31 December 2020 and 2019.

**Notes to the financial statements for the financial year ended 31 December 2020**

**39 Financial risk management objectives and policies (Cont'd)**

**39.2 Foreign currency risk (Cont'd)**

The Group's and the Company's material exposure from foreign currency denominated financial assets and financial liabilities as at the end of the reporting period are as follows:

The Group US\$'000	Singapore Dollar		US Dollar		Renminbi		Australian Dollar		British Pound		Euro	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Financial Assets</b>												
Trade receivables	-	-	2,110	52	-	-	-	-	-	-	-	-
Equity investment at FVTOCI	-	-	-	-	5,910	3,984	-	-	-	-	-	-
Derivative financial instrument	-	-	-	-	368	228	-	-	-	-	-	-
Cash and bank balances	694	649	413	96	29	-	19	17	2	2	1	1
	<b>694</b>	<b>649</b>	<b>2,523</b>	<b>148</b>	<b>6,307</b>	<b>4,212</b>	<b>19</b>	<b>17</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>Financial Liabilities</b>												
Trade payables	-	-	132	3	-	-	-	-	-	-	7	6
Other payables and accruals	18	19	105	6	197	346	8	8	3	3	-	-
Interest-free loan from a director	-	-	-	-	327	297	-	-	-	-	-	-
Borrowings	3,430	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instrument	-	-	-	-	-	2	-	-	-	-	-	-
	<b>3,448</b>	<b>19</b>	<b>237</b>	<b>9</b>	<b>524</b>	<b>645</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>6</b>
<b>Net currency exposure on financial assets and (financial liabilities)</b>	<b>(2,754)</b>	<b>630</b>	<b>2,286</b>	<b>139</b>	<b>5,783</b>	<b>3,567</b>	<b>11</b>	<b>9</b>	<b>(1)</b>	<b>(1)</b>	<b>(6)</b>	<b>(5)</b>

**Notes to the financial statements for the financial year ended 31 December 2020**

**39 Financial risk management objectives and policies (Cont'd)**

**39.2 Foreign currency risk (Cont'd)**

The Company US\$'000	US Dollar		Renminbi		Australian Dollar		British Pound		Euro	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Financial Assets</b>										
Derivative financial instrument	-	-	368	228	-	-	-	-	-	-
Amount due from subsidiaries	-	(53)	-	-	-	-	-	-	-	-
Cash and bank balances	45	27	-	-	19	17	2	2	1	1
	<b>45</b>	<b>(26)</b>	<b>368</b>	<b>228</b>	<b>19</b>	<b>17</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>Financial Liabilities</b>										
Trade payables	1	1	-	-	-	-	-	-	7	6
Other payables and accruals	6	6	-	-	8	8	3	3	-	-
Interest-free loan from a director	-	-	327	297	-	-	-	-	-	-
Amounts due to a subsidiary	668	-	-	-	-	-	-	-	-	-
Derivative financial instrument	-	-	-	2	-	-	-	-	-	-
	<b>675</b>	<b>7</b>	<b>327</b>	<b>299</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>6</b>
<b>Net currency exposure on financial assets and (financial liabilities)</b>										
	<b>(630)</b>	<b>(33)</b>	<b>41</b>	<b>(71)</b>	<b>11</b>	<b>9</b>	<b>(1)</b>	<b>(1)</b>	<b>(6)</b>	<b>(5)</b>

**39 Financial risk management objectives and policies (Cont'd)**

**39.2 Foreign currency risk (Cont'd)**

Sensitivity analysis for foreign currency risk

A 5% (2019: 5%) strengthening of the above currencies against the respective functional currencies of the Group entities at year ended would have increased/decreased loss before tax and decreased/increased equity by the amounts shown below. Similarly, a 5% (2019: 5%) weakening would have the equal but opposite effect. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

	Increase/(Decrease)			
	-----31 December 2020-----		-----31 December 2019-----	
	Loss before tax US\$'000	Equity US\$'000	Loss before tax US\$'000	Equity US\$'000
<u>The Group</u>				
Singapore dollar	<b>138</b>	<b>(138)</b>	(32)	32
United States dollar	<b>(114)</b>	<b>114</b>	(7)	7
Renminbi	<b>6</b>	<b>289</b>	21	178
<u>The Company</u>				
United States dollar	<b>32</b>	<b>(32)</b>	2	(2)
Renminbi	<b>(2)</b>	<b>2</b>	4	(4)

**39.3 Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Group is exposed to market price risks arising from its investment in equity investments quoted on the SGX-ST in Singapore classified as financial asset at fair value through profit or loss.

Market price sensitivity

At the end of reporting period, if the Straits Times Index ("STI") had been 5% higher/lower with all other variables held constant, the Group's loss before of tax would have been US\$7,000 (2019: US\$7,000) lower/higher, arising as a result of higher/lower fair value gains on financial assets at FVTPL in quoted equity instruments.

The Group's sensitivity to market prices has not changed significantly from the prior year.

**39.4 Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective is to maintain sufficient cash and continues funding through an adequate amount of credit facilities.

**Notes to the financial statements for the financial year ended 31 December 2020**

**39 Financial risk management objectives and policies (Cont'd)**

**39.4 Liquidity risk (Cont'd)**

The table below analyses the maturity profile of the Company's and the Group's non-derivative financial liabilities based on contractual undiscounted cash flows:

The Group	Carrying amount US\$'000	-----Contractual undiscounted cash flows-----			Total US\$'000
		Within 1 year US\$'000	Within 2 to 5 years US\$'000	Over 5 years US\$'000	
<b>As at 31 December 2020</b>					
Trade payables	37,665	37,665	-	-	37,665
Other payables and accruals (excluding Goods and service tax payables)	1,691	1,691	-	-	1,691
Interest-free loan from a director	327	-	368	-	368
Loan from a director	240	254	-	-	254
Borrowings	13,237	10,736	2,855	-	13,591
Lease liabilities	2,170	258	600	3,164	4,022
	<b>55,330</b>	<b>50,604</b>	<b>3,823</b>	<b>3,164</b>	<b>57,591</b>
<b>As at 31 December 2019</b>					
Trade payables	27,304	27,304	-	-	27,304
Other payables and accruals (excluding Goods and service tax payables)	1,739	1,739	-	-	1,739
Interest-free loan from a director	297	-	349	-	349
Borrowings	8,392	184	9,426	-	9,610
Lease liabilities	2,248	244	535	3,401	4,180
Derivative liability	2	-	2	-	2
	<b>39,982</b>	<b>29,471</b>	<b>10,312</b>	<b>3,401</b>	<b>43,184</b>
The Company					
<b>As at 31 December 2020</b>					
Trade payables	43	43	-	-	43
Other payables and accruals (excluding Goods and service tax payables)	251	251	-	-	251
Interest-free loan from a director	327	-	368	-	368
Amount due to a subsidiary	641	660	-	-	660
Borrowings	9,613	9,726	-	-	9,726
Lease liabilities	2,068	170	584	3,163	3,917
Corporate guarantee contracts	32,451	32,451	-	-	32,451
	<b>45,394</b>	<b>43,301</b>	<b>952</b>	<b>3,163</b>	<b>47,416</b>
<b>As at 31 December 2019</b>					
Trade payables	51	51	-	-	51
Other payables and accruals (excluding Goods and service tax payables)	247	247	-	-	247
Interest-free loan from a director	297	-	349	-	349
Borrowings	8,208	-	9,426	-	9,426
Lease liabilities	2,082	160	447	3,401	4,008
Derivative liability	2	-	2	-	2
Corporate guarantee contracts	19,959	19,959	-	-	19,959
	<b>30,846</b>	<b>20,417</b>	<b>10,224</b>	<b>3,401</b>	<b>34,042</b>

**39 Financial risk management objectives and policies (Cont'd)**

**39.5 Credit risk**

Credit risk refers to the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt the policy dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The Group closely monitors and avoids any significant concentration of credit risk. In addition, receivable balances and payment profile of the debtors are monitored on an ongoing basis. The Group also uses factoring and credit insurance or request customers' letters of credit to mitigate credit risk. For other financial assets, the Group and the Company adopt policy dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure.

Exposure to credit risk

As the Group and the Company do not hold any collateral, 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, except as follow:

	<b>31 December 2020</b>	31 December 2019
	<b>US\$'000</b>	US\$'000
The Company		
Corporate guarantees provided to banks on subsidiaries' credit facilities	<b>32,451</b>	19,959

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

Please refer to Notes 11, 12 and 14 to the financial statements for further details on expected credit losses and movements in credit loss allowance.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Cash is held with reputable financial institutions of high credit ratings. Cash and bank balances, advances to subsidiaries, financial assets and derivative financial instruments at fair value through profit or loss are subject to immaterial credit loss.

The trade receivables are due from creditworthy counterparties with good track record of credit history. Other than as disclosed in Notes 11, 12 and 14 to the financial statements, management believes that no additional credit risk lies in the Group's trade and other receivables.

### **39 Financial risk management objectives and policies (Cont'd)**

#### **39.5 Credit risk (Cont'd)**

##### Financial guarantee contract

The Company has issued financial guarantees to banks for credit facilities of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

### **40 Fair values measurement of assets and liabilities**

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

The fair values assets and liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of current financial assets and financial liabilities, such as cash and bank balances, trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(ii) Buildings on leasehold land (Level 3)

The Group engages independent professional property valuer to determine the fair value of the Group's buildings on leasehold land at the end of every financial year. The valuation was based on the assets' highest and best use using the Direct Comparison Method by analysing sale listing of similar properties in the locality and adjusted for immaterial differences in key attributes such as property size, location and other relevant factors.

The valuation at 31 December 2020 contains a 'market valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic which has resulted in a reduction in transactional evidence. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Accordingly, the independent professional valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may require significant revision in the next financial period.

In prior years, the valuation of the buildings on leasehold land was classified as a level 2 fair value measurement primarily based on the observable selling price per square meter of similar properties in proximity to the buildings. Considering that there are adjustment factors such as location and condition which are considered unobservable inputs in the valuation assumptions, it is therefore more relevant and would enhance the faithful representation in the financial statements to classify the valuation of the buildings on leasehold land as a level 3 fair value measurement due to mixed observable and unobservable inputs. Accordingly, this has been reflected in the current year's and previous year's presentation as a level 3 fair value measurement.

**Notes to the financial statements for the financial year ended 31 December 2020**

**40 Fair values measurement of assets and liabilities (Cont'd)**

(iii) Financial asset at FVTOCI (Level 3)

As at 31 December 2020, the Group has 18.18% unquoted equity investment in Shanghai Sunrise Polymer Material Co., Ltd. The fair value is determined based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity investments, and the expected revenue and EBITDA of the investee.

(iii) Financial asset at FVTPL (Level 1)

The fair values of the quoted equity securities are determined by reference to the exchange quoted market bid prices at the close of business at the end of the reporting period.

(iv) Derivative financial instruments (Level 3)

The fair values of the derivative financial instruments are estimated based on Binomial Model. The fair value is determined based on fair value of the option shares of the investee, adjusted for the effect of the non-marketability and non-controllability.

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

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

	Note	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>31 December 2020</b>					
<u>Non-financial assets</u>					
Buildings on leasehold land	7	-	-	12,862	12,862
<u>Financial assets</u>					
Financial asset at FVTOCI	6	-	-	5,910	5,910
Financial assets at FVTPL	15	141	-	-	141
Derivative financial instruments	16	-	-	368	368
<u>Financial liabilities</u>					
Bank loan	22	-	(2,707)	-	(2,707)
<b>31 December 2019</b>					
<u>Non-financial assets</u>					
Buildings on leasehold land	7	-	-	13,153	13,153
<u>Financial assets</u>					
Financial asset at FVTOCI	6	-	-	3,984	3,984
Financial assets at FVTPL	15	141	-	-	141
Derivative financial instruments	16	-	-	228	228
<u>Financial liabilities</u>					
Derivative financial instruments	16	-	-	(2)	(2)

For fair value movement, refer to Notes 7, 15 and 16 on buildings on leasehold land, financial assets at FVOCI and derivatives financial instruments respectively.

**Notes to the financial statements for the financial year ended 31 December 2020**

**40 Fair values measurement of assets and liabilities (Cont'd)**

There were no transfers between Level 1, Level 2 and Level 3 of fair value hierarchy during the financial years ended 31 December 2020 and 2019.

There have been no significant changes in the valuation techniques of the various classes of financial instruments during the financial year.

Valuation inputs and relationship to fair value (Level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurements.

<u>Description</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs (probability-weighted average)</u>		<u>Relationship of unobservable inputs and fair value</u>
		2020	2019	
<b>Non-financial assets</b>				
Buildings on leasehold land	Adjusted market price (per sq.m.)	<b>US\$132- US\$142</b>	US\$132- US\$151	The higher the adjusted market price, the higher the fair value of the buildings on leasehold land.
<b>Financial assets</b>				
Financial asset at FVTOCI	Discount for lack of marketability ("DLOM")	<b>45%</b>	45%	Higher the discount rate, lower the fair value.  5% increase (decrease) in the discount would decrease (increase) the fair value by US\$561,000 (2019: US\$237,000).
	Enterprise Value to Revenue ("EV/R")	<b>0.9 - 1.0 multiple</b>	0.9 multiple	Higher the multiple, higher the fair value.  0.1 increase (decrease) in the multiple would decrease (increase) the fair value by US\$761,000 (2019: US\$848,000).
Derivative financial instruments	Discount for lack of control ("DLOC")	<b>9.7%</b>	6.3%	Higher the discount rate would decrease fair value of Call option and increase the fair value of Put Option; lower the discount rate would increase fair value of Call Option and decrease the fair value of Put Option.  5% increase (decrease) in the discount would increase (decrease) the fair value of Put Option by US\$Nil (2019: US\$6,000).
				5% increase (decrease) in the discount would decrease (increase) the fair value of Call Option by US\$Nil (2019: US\$1,000).
	DLOM	<b>10%</b>	19%	Higher the discount rate would decrease fair value of Call option and increase the fair value of Put Option; lower the discount rate would increase fair value of Call Option and decrease the fair value of Put Option.  5% increase (decrease) in the discount would increase (decrease) the fair value of Put Option by US\$Nil (2019: US\$7,000).
				5% increase (decrease) in the discount would decrease (increase) the fair value of Call Option by US\$Nil (2019: US\$1,000).

There are no significant inter-relationships between unobservable inputs that materially affect fair values in 2020 and 2019.

#### **41 Contingent liabilities**

On 9 October 2020, Orient-Salt Chemicals Pte. Ltd. (“OSC Singapore”), a wholly-owned subsidiary of the Company, has received a notice of arbitration by a supplier for demurrage and related expenses amounting to approximately US\$789,000, together with interest and cost. OSC Singapore has sought legal advice from its lawyers on this matter. The Group has made partial provision based on the management’s best estimates. A sole arbitrator was appointed on 3 March 2021. There are no new significant developments on the claim as of the date of these financial statements.

#### **42 Capital management**

The Group's objectives when managing capital are:

- (a) To safeguard the Group’s ability to continue as a going concern;
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its equity and debt capital structure to ensure optimal capital management and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group manages their equity and debt capital structure and make adjustments to them, whenever necessary, in the light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 2019.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

The Group monitors capital using Gearing Ratio, which is total liabilities (excluding income tax liability and deferred tax liabilities) divided by total equity.

The Group	<b>31 December 2020</b> <b>US\$'000</b>	31 December 2019 US\$'000
Total liabilities (A)	<b>60,353</b>	45,154
Total equity (B)	<b>18,929</b>	18,798
Gearing ratio (times) (A)/(B)	<b>3.19</b>	2.40

**43 Events after end of reporting period**

On 31 January 2017, the Company allotted and issued a renounceable non-underwritten rights issue of S\$12,855,000 in principal amount consisting of zero-coupon bonds due in 2021 (“Bonds”), with principal amount of S\$0.02 for each bond, at an issue price of S\$0.016 for each Bond, with up to 642,750,000 free detachable European warrants (“Warrants”). Each Warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.02 for each new share, on the basis of one Bond with one free Warrant for every existing share in the capital of the Company held by the entitled shareholders as at the books closure date.

Prior to the expiry of the Warrants, a total of 638,938,706 Warrants had been exercised on 29 January 2021, resulting in the allotment and issue by the Company of 638,938,706 new ordinary shares in the capital of the Company (the “New Shares”). Accordingly, the issued and paid-up share capital of the Company as at 29 January 2021 has increased from 642,750,000 ordinary shares to 1,281,688,706 ordinary shares. The New Shares rank *pari passu* in all respects with the existing issued and paid-up shares of the Company, save for any dividends, rights, allotments or other distributions, the record date for which falls on or before the date of issue and allotment of the New Shares. The New Shares had been listed and quoted on Catalist with effect from 2 February 2021. The Warrants had been delisted from the Official List of the SGX-ST after their expiry date.

The Bonds matured on 30 January 2021 and were fully settled via the exercise of the Warrants and internal resources at 100% of their principal value on the Maturity Date.

## STATISTICS OF SHAREHOLDINGS AS AT 16 MARCH 2021

Number of shares issued	:	1,281,688,706 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	751	46.79	726,075	0.06
1,001 - 10,000	284	17.69	1,538,100	0.12
10,001 - 1,000,000	524	32.65	101,398,115	7.91
1,000,001 and above	46	2.87	1,178,026,416	91.91
	<u>1,605</u>	<u>100.00</u>	<u>1,281,688,706</u>	<u>100.00</u>

### SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2021

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Shi Jiangang	-	-	476,811,412 <sup>(1)</sup>	37.20
Shi Minyuan	476,811,412	37.20	-	-
Jiang Hao	235,200,000	18.35	-	-
Sam Kok Yin	247,222,400	19.29	10,718,000 <sup>(2)</sup>	0.84

#### Notes:

- <sup>(1)</sup> Mr Shi Jiangang, the Executive Chairman of the Company, is deemed to be interested in 476,811,412 Shares held by his daughter, Ms Shi Minyuan.
- <sup>(2)</sup> Mr Sam Kok Yin is deemed to be interested in Ms Tan Hui Har's shareholdings in the Company as they are spouses. Ms Tan Hui Har holds 10,718,000 Shares.

## STATISTICS OF SHAREHOLDINGS AS AT 16 MARCH 2021 (CONT'D)

### TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Phillip Securities Pte Ltd	771,485,812	60.19
2.	Sam Kok Yin (Shen Guoxian)	247,222,400	19.29
3.	UOB Kay Hian Pte Ltd	27,076,800	2.11
4.	Tan Hui Har	10,718,000	0.84
5.	Lum Tain Fore	8,700,000	0.68
6.	Maybank Kim Eng Securities Pte. Ltd	8,436,000	0.66
7.	DBS Nominees Pte Ltd	7,413,000	0.58
8.	Koh Boon Tong	6,420,000	0.50
9.	Citibank Nominees Singapore Pte Ltd	6,276,100	0.49
10.	Tan Wey Ling	4,574,800	0.36
11.	OCBC Securities Private Ltd	4,165,504	0.32
12.	Loong Chay Wan	4,100,000	0.32
13.	Zhou Jinshou	4,000,000	0.31
14.	Ramesh s/o Pritamdas Chandiramani	3,800,200	0.30
15.	Eng Koon Hock	3,800,000	0.30
16.	Chan & Ong Holdings Pte Ltd	3,584,900	0.28
17.	Ong Swee Whatt	3,500,000	0.27
18.	United Overseas Bank Nominees Pte Ltd	3,413,700	0.27
19.	Lim Chin Hock	3,100,000	0.24
20.	Thio Seng Tji	2,960,000	0.23
	Total	1,134,747,216	88.54

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 16 March 2021, approximately 24.32% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

## ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)

(Co. Reg. No: 197501572K)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ABUNDANCE INTERNATIONAL LIMITED (the “**Company**”) will be held by way of electronic means on 27 April 2021 at 10.00 a.m. for the businesses as set out below.

This Notice has been made available on SGXNet and the Company’s website and may be accessed at the URL <http://abundance.com.sg/AGM>. A printed copy of this Notice will NOT be despatched to members.

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Auditors’ Report thereon.

**(Resolution 1)**

2. To re-elect Mr Sam Kok Yin as a Director of the Company retiring pursuant to Regulation 91 of the Company’s Constitution.

*Mr Sam Kok Yin, upon re-election as a Director of the Company, will remain as a Managing Director.*

**(Resolution 2)**

3. To re-elect Mr Chan Cher Boon as a Director of the Company retiring pursuant to Regulation 91 of the Company’s Constitution.

*Mr Chan Cher Boon, upon re-election as a Director of the Company, will remain as an Independent Director, the Chairman of the Nominating Committee and a member of the Remuneration Committee and the Audit Committee.*

**(Resolution 3)**

4. That contingent upon the passing of Ordinary Resolution 3 above and Ordinary Resolution 5 below, and in accordance with Rule 406(3)(d)(iii) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”) which will take effect on 1 January 2022, shareholders to approve Mr Chan Cher Boon’s continued appointment as an Independent Director of the Company, this Resolution to remain in force until the earlier of Mr Chan Cher Boon’s retirement or resignation as a Director; or the conclusion of the third Annual General Meeting following the passing of this Resolution.

[See Explanatory Note (i)]

**(Resolution 4)**

# NOTICE OF ANNUAL GENERAL MEETING

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5. That contingent upon the passing of Ordinary Resolution 3 and Ordinary Resolution 4 above, and in accordance with Rule 406(3)(d)(iii) of the Catalist Rules which will take effect on 1 January 2022, shareholders (excluding the Directors and the chief executive officer of the Company, and their respective associates (as defined in the Catalist Rules)) to approve Mr Chan Cher Boon's continued appointment as an Independent Director of the Company, this Resolution to remain in force until the earlier of Mr Chan Cher Boon's retirement or resignation as a Director; or the conclusion of the third Annual General Meeting following the passing of this Resolution.

[See Explanatory Note (i)]

**(Resolution 5)**

6. To approve the payment of Directors' fees of S\$99,000 for the period ended 31 December 2020 (FY2019: S\$99,000).

**(Resolution 6)**

7. To re-appoint Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

**(Resolution 7)**

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

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolution:

### 9. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and Rule 806 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed hundred percent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

# NOTICE OF ANNUAL GENERAL MEETING

## ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)

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(b) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from exercising share options or vesting of Share awards, provided the options or awards granted were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares,

and in sub-paragraph (a) above and this sub-paragraph (b), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST, Section B: Rules of Catalist.

Adjustments in accordance with (b)(i) or (b)(ii) above are only to be made in respect of new shares arising from convertible securities, share options or Share awards which were issued and outstanding or subsisting at the time this Resolution is passed; and

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)]

**(Resolution 8)**

By Order of the Board

Ong Beng Hong/Tan Swee Gek  
Company Secretaries  
Singapore, 12 April 2021

# NOTICE OF ANNUAL GENERAL MEETING

## ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)

(Co. Reg. No: 197501572K)

### Explanatory Notes on Resolutions to be passed:

- (i) The Ordinary Resolutions 4 and 5 proposed in items 4 and 5 above are pursuant to the amendments passed on 6 August 2018, pursuant to which, the SGX-ST amended the Catalist Rules following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Catalist Rules for mandatory compliance. On 28 November 2018, the Singapore Exchange Securities Trading Limited issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Catalist Rules. Pursuant thereto and in respect of Rule 406(3)(d)(iii) of the Catalist Rules, to ensure that the independence designation of a Director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for Mr Chan Cher Boon's continued appointment as an Independent Director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Rule 406(3)(d)(iii) provides that continued appointment as Independent Director, after an aggregate period of more than 9 years on the Board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding the Directors and the chief executive officer of the Company, and their respective associates.
- (ii) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding one hundred percent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty percent (50%) may be issued other than on a pro rata basis.

### Notes:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company's announcement dated 12 April 2021 entitled "Important Notice to Shareholders Regarding the Company's Annual General Meeting on 27 April 2021" which has been uploaded together with this Notice of Annual General Meeting on SGXNet on the same day. This announcement may also be accessed at the URL <http://abundance.com.sg/AGM>.

In particular, the Annual General Meeting will be held by way of electronic means and a member will be able to watch the proceedings of the Annual General Meeting through a "live" webcast via his/her/its mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, a member who wishes to watch the "live" webcast or listen to the "live" audio feed must pre-register by 10.00 a.m. on 24 April 2021, at the URL <https://AGMShareholderRegistration>. Following authentication of his/her/its status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the Annual General Meeting by 26 April 2021. Members who have received the email instructions must not forward the email instructions to other persons who are not members or who are not entitled to attend the Annual General Meeting. This is to avoid any technical disruption or overload to the "live" webcast or "live" audio feed.

Members may also submit questions related to the resolutions to be tabled for approval at the Annual General Meeting. To do so, all questions must be submitted by 10.00 a.m. on 24 April 2021:

- (a) via the pre-registration website at the URL <https://AGMShareholderRegistration>;
- (b) in hard copy by sending by post and lodging the same at the Registered Office of the Company at 9 Joo Koon Circle Singapore 629041; or
- (c) by email to [peishan@abundance.com.sg](mailto:peishan@abundance.com.sg).

# NOTICE OF ANNUAL GENERAL MEETING

## ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)

(Co. Reg. No: 197501572K)

Members will need to identify themselves when posing questions by email or by mail by providing the following details:

- (a) the member's full name as it appears on his/her/its CDP/CPF share records;
- (b) the member's NRIC/Passport/UEN number;
- (c) the member's contact number and email address; and
- (d) the manner in which the member holds his/her/its shares in the Company (e.g. via CDP or CPF).

The Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status.

The Company will address substantial and relevant questions relating to the resolutions to be tabled for approval at the Annual General Meeting as received from members either before or during the Annual General Meeting.

Please note that members will not be able to ask questions at the Annual General Meeting "live" during the webcast and the audio feed, and therefore it is important for members to submit their questions in advance of the Annual General Meeting.

2. **A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Annual General Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.** In appointing the Chairman of the Annual General Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL <http://abundance.com.sg/AGM> and has also been made available on SGXNet.
3. The Chairman of the Annual General Meeting, as proxy, need not be a member of the Company. Where the instrument appointing the Chairman of the Annual General Meeting as proxy is signed or, as the case may be, authorised on behalf of the appointer by an attorney, the letter or power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company), if required by law, be stamped and:
  - (a) if sent by post, be deposited at the Registered Office of the Company at 9 Joo Koon Circle Singapore 629041; or
  - (b) if submitted by email, be received by the Company at [peishan@abundance.com.sg](mailto:peishan@abundance.com.sg),

in either case, not less than 72 hours before the time for holding the Annual General Meeting and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

# NOTICE OF ANNUAL GENERAL MEETING

## ABUNDANCE INTERNATIONAL LIMITED

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4. The instrument appointing the Chairman of the Annual General Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Annual General Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
5. In the case of a member whose shares are entered against his/her/its name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Annual General Meeting as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by the The Central Depository (Pte) Limited to the Company.
6. Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Cap 50 of Singapore), including CPF investors, and who wish to participate in the Annual General Meeting ("**Relevant Intermediary Participants**") by (a) observing and/or listening to the Annual General Meeting proceedings via the "live" webcast or the "live" audio feed in the manner provided in Note 1 above; (b) submitting questions in advance of the Annual General Meeting in the manner provided in Note 1 above; and/or (c) appointing the Chairman of the Annual General Meeting as proxy to attend, speak and vote on their behalf at the Annual General Meeting, should contact the relevant intermediary (which would include, in the case of CPF, their respective CPF Agent Banks) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the Annual General Meeting. CPF investors who wish to appoint the Chairman of the Annual General Meeting as proxy should approach their respective CPF Agent Banks to submit their votes by 10.00 a.m. on 15 April 2021.
7. The Annual Report for the financial year ended 31 December 2020 may be accessed at the Company's website at the URL <http://abundance.com.sg/AR>, under "Abundance Annual Report 2020". The Annual Report has also been made available on SGXNet.

### Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Annual General Meeting to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof or submitting any details of the Relevant Intermediary Participants in connection with the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Annual General Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the Relevant Intermediary Participants to the Company (or its agents or service providers), the member has obtained the prior consent of such Relevant Intermediary Participants for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such Relevant Intermediary Participants for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Sam Kok Yin and Mr Chan Cher Boon are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 27 April 2021 (“**AGM**”) (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the Retiring Directors as required under Appendix 7F to the Catalist Rules of the SGX is set out below:

	<b>Mr Sam Kok Yin</b>	<b>Mr Chan Cher Boon</b>
Date of Appointment	25 September 2014	6 December 2007
Date of last re-appointment	N/A	26 April 2018
Age	45	74
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having reviewed and assessed Mr Sam Kok Yin’s qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Executive Director.	The Board, having considered the recommendation of the Nominating Committee and having reviewed and assessed Mr Chan Cher Boon’s qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Sam Kok Yin is the managing director of the Company.	Non-Executive
Job Title (e.g.: Lead ID, AC Chairman, AC Member etc.)	Managing Director	Lead Independent Director Chairman of Nominating Committee Member of Remuneration Committee and Audit Committee
Professional qualifications	Bachelor of Laws	Bachelor of Laws Bachelor of Accountancy Master of Laws

	<b>Mr Sam Kok Yin</b>	<b>Mr Chan Cher Boon</b>
Working experience and occupation(s) during the past 10 years	Mr Sam Kok Yin was a practicing Advocate and Solicitor from 2001 to 2007, and subsequently from 2009 to July 2010. From February 2011 to December 2011, Mr Sam Kok Yin was the Deputy Chairman and chief executive officer of Sun East Group Limited, a company listed on the mainboard of the SGX-ST. Mr Sam has been involved in various listings, merger and acquisitions, white knight rescues and other corporate exercises.	Mr Chan Cher Boon is professionally qualified in accountancy and law and has diverse experiences in both fields of work in a number of countries with different legal jurisdictions and financial environments. His expertise in corporate and business law and in corporate finance, mergers and acquisitions was gained through his services with PriceWaterhouse (in the United Kingdom, Australia and South East Asia), with Standard Chartered Group (in London and Singapore) and through his own legal practice. He has served as CEO of public listed companies in Hong Kong and Singapore and as an independent director of several public listed companies.
Shareholding interest in the listed issuer and its subsidiaries	<b>Shares</b>  Direct Interest: 247,222,400 shares  In-direct Interest: 10,718,000 shares	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	-	-
Present	-	Director of CCB Management Services Pte Ltd

	Mr Sam Kok Yin	Mr Chan Cher Boon
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</b>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

	<b>Mr Sam Kok Yin</b>	<b>Mr Chan Cher Boon</b>
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

	Mr Sam Kok Yin	Mr Chan Cher Boon
<p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
<b>Disclosure applicable to the appointment of Director only</b>		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N/A as Mr Sam Kok Yin is a Retiring Director seeking re-election	N/A as Mr Chan Cher Boon is a Retiring Director seeking re-election

## PROXY FORM

(Please see notes overleaf before completing this Form)

### ABUNDANCE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)  
(Co. Reg. No: 197501572K)

This form of proxy has been made available on SGXNet and the Company's website and may be accessed at the URL <http://abundance.com.sg/AGM>. A printed copy of this form of proxy will NOT be despatched to members.

#### IMPORTANT:

1. 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. CPF investors who wish to vote should contact their CPF Approved Nominees.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company's announcement dated 12 April 2021 entitled "Important Notice to Shareholders Regarding the Company's Annual General Meeting on 27 April 2021" which has been uploaded together with the Notice of Annual General Meeting dated 12 April 2021 on SGXNet on the same day. This announcement may also be accessed at the URL <http://abundance.com.sg/AGM>.
3. A member will not be able to attend the Annual General Meeting in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

\*I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/PP/UEN No.)  
of \_\_\_\_\_ (Address)

being a member/members of **ABUNDANCE INTERNATIONAL LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting as my/our proxy to attend, speak and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on 27 April 2021 at 10.00 a.m. and at any adjournment thereof;

I/We direct the Chairman of the Annual General Meeting as my/our proxy to vote for or against the Resolutions, or to abstain from voting on the Resolutions, to be proposed at the Annual General Meeting as indicated hereunder.

**(Voting will be conducted by poll. If you wish the Chairman of the Annual General Meeting as your proxy to exercise all your votes "For" or "Against" a resolution, please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate. If you wish the Chairman of the Annual General Meeting as your proxy to abstain from voting on the resolutions, please indicate with "X" in the "Abstain" box provided. In the absence of specific directions, the appointment of the Chairman of the Annual General Meeting as your proxy will be treated as invalid)**

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Re-election of Mr Sam Kok Yin as a Director			
3	Re-election of Mr Chan Cher Boon as a Director			
4	Approval of Mr Chan Cher Boon's continued appointment as an Independent Director by shareholders in accordance with Rule 406(3)(d)(iii) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the " <b>Catalist Rules</b> ") which will take effect on 1 January 2022			
5	Approval of Mr Chan Cher Boon's continued appointment as an Independent Director by shareholders (excluding Directors, and the chief executive officer of the Company, and their respective associates) in accordance with Rule 406(3)(d)(iii) of the Catalist Rules which will take effect on 1 January 2022			
6	Approval of Directors' fees amounting to S\$99,000 for the financial year ended 31 December 2020			
7	Re-appointment of Foo Kon Tan LLP as Auditors			
8	Authority to allot and issue new shares			

*\*Delete where inapplicable*

Dated this \_\_\_\_\_ day of April 2021

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

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

**Notes:**

1. A member will not be able to attend the Annual General Meeting in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Annual General Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
2. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Shares held by you.
3. The Chairman of the Annual General Meeting as proxy need not be a member of the Company.
4. The instrument appointing a proxy must:
  - (a) if sent by post, be deposited at the registered office of the Company at 9 Joo Koon Circle, Singapore 629041; or
  - (b) if submitted by email, be received by the Company at [peishan@abundance.com.sg](mailto:peishan@abundance.com.sg).

in either case not less than 72 hours before the time appointed for the Annual General Meeting, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. If sent by post, the instrument appointing the Chairman of the Annual General Meeting as proxy of an individual must be under the hand of the appointor or of his/her attorney duly authorised in writing and the instrument appointing the Chairman of the Annual General Meeting as proxy of a corporation must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where the instrument appointing the Chairman of the Annual General Meeting as proxy is submitted by email, it must be authorised in the following manner:
  - (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
7. Where the instrument appointing the Chairman of the Annual General Meeting as proxy is signed or, as the case may be, authorised 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 appointing the Chairman of the Annual General Meeting as proxy, failing which the instrument may be treated as invalid.

**General:**

The Company shall be entitled to reject the instrument appointing the Chairman of the Annual General Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Annual General Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Annual General Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.



## **ABUNDANCE INTERNATIONAL LIMITED**

(Company Registration Number 197501572K)

9 Joo Koon Circle, Singapore 629041

Tel: (65) 68614040

Fax: (65) 68610530

Email: [contact@abundance.com.sg](mailto:contact@abundance.com.sg)