ANNUAL REPORT

2019 EDITION

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CHAIRMAN'S MESSAGE

Dear Value Shareholders,

On behalf of the board of directors (the "**Board**" or the **"Directors**") of NauticAWT Limited (the "**Company**" and together with its subsidiaries, the **"Group"**), I am pleased to present to you the annual report for the financial year ended 31 December 2019 ("**FY2019**").

FY2019 saw a continued pressure on the Group. The Group recorded an 18.5 per cent decrease in revenues. The USD 1.4 million decrease in revenue was mainly due to a decrease in revenues in the Ports of Offshore market segment. The rightsizing of the company continues with reduction in administrative and distribution expenses.

FY2019 saw the completion of a debt restructuring in which USD4.8 million of debt was converted into equity. Furthermore a subscription agreement also took place during the year strengthening equity position of the Group. As part of the debt restructuring exercise, the Company successfully restructured part of its current liability to non-current liability hence improved the working capital position with the reduction in net current liability.

The outlook for supply of High Performance ("**HPC**") and Ultra High-Performance Concrete ("**UHPC**") and Composites materials and the associated installation services remains unchanged. Although the revenues decreased for FY2019, there is continued demand for the Group's products and services within the offshore segment of the Oil and Gas Industry.

The demand for our UHPC products for wind turbine foundations continue to grow although at a slower pace than a year ago. We believe that the demand for renewable energy will keep supporting the demand for our UHPC products in this market segment. In an effort to further diversify the application of HPC and UHPC materials, the Group has introduced its HPC and UHPC to the civil and architectural industries.

FY2019 also saw the acquisition of a 35 per cent interest in Rich Restaurant Company Limited as its first foray into the F&B business in Thailand, a recognised brand name chain of restaurants that has potential for further expansion through its hybrid directly run and franchise model and also its catering services via its new central kitchen.

FY2019 was yet another year with challenges and severe pressure on the business. However, the Group demonstrated resilience and ability to withstand the pressure of the severe market conditions and improve the financial position of the company through various corporate exercise.

The Group will continue to look for new revenue streams, diversification and expand its business through mergers and acquisitions.

I would like to take the opportunity to thank my predecessor, the former chairman of the board, Mr Lim How Teck and the other directors of the former board, for his and their valuable contributions towards steering the Group through the difficult times of the past.

On behalf of the group, I would also like to express my sincere gratitude to the management team and all staff for their commitment and hard work.

We are grateful for the support of our partners, suppliers, customers and business associates for their trust in us and we look forward to enjoying many more years of strong partnerships with them.

Last but not least, Company would not be where it is today without the support of our shareholders

Dr Chirasak Chiyachantana

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
Date of Appointment	13 December 2019	2 September 2011	13 December 2019	13 December 2019	13 December 2019
Date of last re-appointment	Not applicable	27 April 2018	Not applicable	Not applicable	Not applicable
Age	49	51	58	57	49
Country of principal residence	Thailand	Singapore	Singapore	Thailand	Thailand
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Dr Chirasak Chiyachantana as Non-Independent Non-Executive Chairman of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Dr Chirasak Chiyachantana's contributions, performance, expertise and past experiences.	The re-election of Mr John GrØnbech as Executive Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr John GrØnbech's contributions, performance, expertise and past experiences.	The re-election of Mr Kenny Lim as Lead Independent Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Kenny Lim's contributions, performance, expertise and past experiences.	The re-election of Dr Kunchit Singsuwan as Independent Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Dr Kunchit Singsuwan's contributions, performance, expertise and past experiences.	The re-election of Dr Aphichat Sramoon as Independent Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Dr Aphichat Sramoon's contributions, performance, expertise and past experiences.

BOARD OF DIRECTORS

Name of Director	**DR CHIRASAK CHIYACHANTANA**	**MR JOHN GRØNBECH**	**MR KENNY LIM YEOW HUA**	**DR KUNCHIT SINGSUWAN**	**DR APHICHAT SRAMOON**
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr John is the Chief Executive Officer of NauticAWT Limited (the "**Company**") and its subsidiaries (collectively known as the "**Group**"). His areas of responsibilities include, but not limit to, providing leadership to the Group, making major corporate decisions and managing the overall operations and resources of the Group.	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Independent Non-Executive Chairman	Executive Director and Chief Executive Officer	• Lead Independent Director • Chairman of Audit Committee • Member of Nominating Committee and Remuneration Committee	• Independent Director • Chairman of Remuneration Committee • Member of Nominating Committee and Audit Committee	• Independent Director • Chairman of nominating Committee • Member of Remuneration Committee and Audit Committee

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
Professional qualifications	• Ph.D. in Leadership and Human Behavior, United States International University, United States of America • MBA in Marketing, Oklahoma City University, United States of America • B.S.C.E. in Civil Engineering, University of Manila, Philippines	• Master in Business Administration (Executive), Charles Sturt University, Australia • Master in Civil Engineering, Aalborg University, Denmark	• Master of Business Administration, National University of Singapore, Singapore • Bachelor's Degree in Accountancy, National University of Singapore, Singapore	• Doctoral Degree in International Business, Alliant International University, United States of America • Master Degree in International Business, Alliant International University, United States of America • Bachelor's Degree in Criminal and Civil Laws, Chulalongkorn University, Thailand	• Doctor of Engineering (Civil Engineering and Energy), Nagaoka University of Technology, Japan • Master of Engineering, Asian Institute of Technology, Thailand • Bachelor of Industrial Education (Civil Engineering), King Mongkut's Institute of Technology Thonburi, Thailand
Working experience and occupation(s) during the past 10 years	• 2013 – Present World Corporation PCL, Chairman of the Board • 2006 – Present Western University, President	• 2011 – Current NauticAWT Limited, Chief Executive Officer • 2005 – 2011 Densit Asia Pacific Sdn Bhd, Managing Director	• 2017 – 2019 Incorp Global Pte Ltd, Group Head of Tax • 2006 – 2017 Asia Pacific Business Consultants Pte Ltd, Managing Director	• 2007 – Current 2S Metal Public Company Limited, Chairman of the Board • 2017 – Current Baupost Associates Company Limited, Managing Director • 2014 – 2014 Islamic Bank of Thailand, Acting Managing Director	• 2019 – Current TEAM Consulting Engineering and Management PCL, Executive Director • 2019 – Current Geotechnical and Foundation Engineering Co Ltd, EC • 2019 – Current World Credit Foncier Co Ltd, Chairman

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
				• 2010 – 2014 Islamic Bank of Thailand, Senior Executive Vice President • 2011 – 2012 SFIs Risk Management Club, President	• 2018 – Current TEAM Construction Management Co Ltd, Director • 2017 – Current World Corporation PCL, Director • 2009 – Current Geotechnical and Foundation Engineering Co Ltd, Director • 2018 – 2019 TLT Consultants Co Ltd, Managing Director • 2016 – 2018 World Credit Foncier Co Ltd, Director • 2009 – 2015 Geotechnical and Foundation Engineering Co Ltd, Managing Director
Shareholding interest in the listed issuer and its subsidiaries	400,000,000 ordinary shares in the Company	30,057,162 ordinary shares in the Company	Nil	Nil	Nil

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
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	No	No	No
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes
Other Principal Commitments including Directorships	**(a) Directorships** *Present* • WP Assets Co Ltd • World Dental Hospital Co Ltd • EDU Corporation PCL • World Corporation Public PCL • Capital Link North Sathorn Co Ltd • Worldbuild Construction Co Ltd • World Credit Foncier Co Ltd • World Alternative Energy Co Ltd	**(a) Directorships** *Present* • Nautec Pte Ltd • Nautic India Private Limited • Nautec Materials Sdn Bhd • Nautic (B) Sdn Bhd • Nautic Australia Pty Ltd • NauticAWT Engenharia E Consultoria Ltda • Nautic Offshore Mexico S.A. de C.V. • Nautic Middle East DMCC	**(a) Directorships** *Present* • Accrelist Limited • KSH Holdings Ltd • KTL Global Ltd • Oxley Holdings Ltd • Eratat Lifestyle Ltd *Past* • Asia Pacific Business Consultants Pte Ltd • Global Business Management Consultants Pte Ltd • Select Medical Services Ltd	**(a) Directorships** *Present* • 2S Metal Public Company Limited • Baupost Associates Company Limited *Past* • Islamic Bank of Thailand **(b) Principal Commitments (other than Directorships)** *Present* Nil	**(a) Directorships** *Present* • TEAM Consulting Engineering and Management PCL • Geotechnical and Foundation Engineering Co Ltd • World Credit Foncier Co Ltd • TEAM Construction Management Co Ltd • World Corporation PCL

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
	• World Award Patong Co Ltd • World Property and Asset Co Ltd • Western U Education Co Ltd • World Industrial Estate Co Ltd • CC Property A Co Ltd • CC Property B Co Ltd • World Education Loan Services Co Ltd • Nation U Co Ltd • Chiya Corporation Co Ltd • World Property Management Co Ltd • WTU Asset Co Ltd • Extra Information Intelligence Co Ltd _Past_ • Western U Co Ltd • Rich Restaurant Company Co Ltd **(b) Principal Commitments (other than Directorships)** _Present and Past_ Nil	_Past_ • NauticAWT (Mauritius) Pte Ltd • NauticAWT Energy Pte Ltd • Nautic (P.A) Pte Ltd • NauticAWT Engineering Pte Ltd • NVP Georgia LLC • AWT International Pty Ltd • Densit Asia Pacific Sdn Bhd **(b) Principal Commitments (other than Directorships)** _Present_ Nil _Past_ • 2005 to 2011 - Densit Asia Pacific Sdn Bhd (Managing Director)	• Advanced Integrated Manufacturing Co Ltd • China Minzhong Food Corporation Ltd • Fujian Minzhong Co Ltd • Great Group Holdings Ltd • Yingli International Real Estate Ltd **(b) Principal Commitments (other than Directorships)** _Present_ Nil _Past_ • 2017 to 2019 - Incorp Global Pte Ltd (Group Head of Tax) • 2006 to 2017 - Asia Pacific Business Consultants Pte Ltd (Managing Director)	_Past_ • Islamic Bank of Thailand (Senior Executive Vice President)	_Past_ • TLT Consultants Co Ltd **(b) Principal Commitments (other than Directorships)** _Present_ Nil _Past_ • TEAM Consulting Engineering and Management PCL (Senior Engineer)

BOARD OF DIRECTORS

Information required

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.

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
(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?	Yes (1)	No	No	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	Yes (3)	Yes (4)	No	No
(c) Whether there is any unsatisfied judgment against him	No	No	No	Yes (5)	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	No	No	No

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
(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	No	No	No
(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	No	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	No	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	No	No	No

BOARD OF DIRECTORS

Name of Director		DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
(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	No	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	Yes [2]	No	No	No	No
	(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	No	No	No	No	No
	(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	No	No	No	No	No
	(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,	No	No	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?					

BOARD OF DIRECTORS

Name of Director	DR CHIRASAK CHIYACHANTANA	MR JOHN GRØNBECH	MR KENNY LIM YEOW HUA	DR KUNCHIT SINGSUWAN	DR APHICHAT SRAMOON
(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	No	No	No

Notes

(1) Dr Chirasak Chiyachantana was named as one of the defendants in a court case together with Rockswell Media Network Co Ltd ("**Rockswell**"), relating to monies owing by the defendants to the plaintiff which Dr Chirasak Chiyachantana was the guarantor. The case was closed on 22 May 2018 with Rockswell being placed into receivership while the case against Dr Chirasak Chiyachantana was dismissed.

(2) Dr Chirasak Chiyachantana is the director and Chairman of World Corporation Public Company Limited ("**WCPCL**"), a company listed on the Stock Exchange of Thailand.

WCPCL was fined by the Securities & Exchange Commission, Thailand in 2015 and 2017 relating to late filing for its annual reports and financials. The delay in the filing was due to the change of auditors in 2015 and administrative delays in 2017. There was no further action taken by the authorities following the payment of the fines.

(3) (i) AWT International Pty Ltd - Mr John Grønbech was the executive director of the company. The company had been placed under voluntary administration 15 May 2017. The administration has completed on 28 June 2019 and the company had been deregistered from the Registrar of Companies pursuant to Section 601AA of the Corporation Act 2001, Australia.

(ii) NauticAWT Engineering Pte Ltd – Mr John Grønbech was the executive director of the company. The company had been placed under creditors' voluntary liquidation on 22 November 2017. The liquidation has completed on 12 March 2020 and the company had been dissolved pursuant to Section 308(5) of the Companies Act, Cap. 50.

(4) (i) Eratat Lifestyle Limited - The company was delisted from the mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 19 June 2017 with the SGX-ST's approval and is currently undergoing liquidation pursuant to compulsory winding up proceedings. Mr Lim is a non-executive independent director of the company and had not been involved in the management or operations of the company.

(ii) KTL Global Limited - Mr Lim is the non-executive independent director of the company. In August 2018, he was required to attend an interview in connection with the Commercial Affairs Department's ("**CAD"**) investigation on the ex-chief executive officer of the company. He was not the subject of the investigation and rendered his assistance to the CAD by merely attending the interview. There was no further follow up or contact from the CAD thereafter. The company's business and operations have not been affected by the investigation and continue as normal. As of to-date, there has been no further update from the CAD.

(5) Dr Kunchit Singsuwan was involved in a dispute with his previous employer, relating to a breach of employment contract and a judgement by the Central Labour Court of Thailand in June 2018 had indicated that Dr Kunchit had to pay the plaintiff an amount of THB4,462,287. Dr Kunchit who had counter-claimed for THB31,219,940.10 for unfair termination, is appealing the judgement with the Thailand Supreme Court. The appeal is still pending.

EXECUTIVE OFFICERS

CHERYL CHONG

*Chief Financial Officer ("**CFO**")*

Cheryl Chong is our CFO. She joined our Group as finance manager when it was founded in September 2011 and was promoted to Financial Controller in January 2014, where she assisted our CFO of that time with the finance related matters of our Group. On 29 August 2017, she was promoted to CFO and is responsible for overseeing the accounting, finance and commercial matters of the Group.

From 2002 to 2010, Ms Cheryl was an assistant manager with Esco Audio Visual Pte Ltd, where she assisted the CFO in various accounting and financial reporting matters. From 2010 to 2011, she was a finance manager with Densit.

Ms Cheryl graduated from the Oxford Brookes University with a Bachelor of Science (Honours) Applied Accounting degree in 2006. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

ELO YDE

*Chief Operating Officer ("**COO**")*

Elo Yde is our COO. He joined our Group as general manager in January 2014 and was promoted to COO in January 2015. He is responsible for the overall operations, production, and research and development of our cementitious products.

Mr Yde began his career as a technical consultant with Aalborg Portland Cement Company Denmark in 1985 and was a laboratory manager from 1987 to 1992. From 1992 to 1997, he was a deputy head with PC Laboratory A/S Denmark, where he led European Union funded projects and was responsible for the testing of building materials. From 1997 to 2013, he held the following positions with BASF A/S, head of research and development laboratory (1997 to 1998), technical and quality manager (1998 to 2000), sales director (2000 to 2002), director for Construction Systems, Denmark (2002 to 2006) and director, Construction Systems Nordic, Denmark, Norway and Sweden (2006 to 2013). From 2007 to 2013, he was also a technical assessor with DANAK, the national accreditation body in Denmark, where his responsibilities included technical evaluation and approval of accredited laboratories.

Mr Yde graduated from the Aarhus University, Denmark with a Master of Science, Geology degree in 1983.

FINANCIAL HIGHLIGHTS

Key Financial Indicators	FY2019 US$ million	FY2018 US$ million
Continuing operations		
Revenue	**6.2**	7.6
Gross Profit	**2.3**	3.8
Loss for the year	**(0.2)**	(2.2)

Revenue
The Group's revenue for FY2019 decreased by 18.5% or US$1.4 million to US$6.2 million, from US$7.6 million for FY2018. This was mainly due to the decrease in revenue contribution by the Ports and Offshore segment of US$1.4 million and Energy and Mining segment of US$0.3 million. However, the decrease was partially offset by the increase in revenue contribution by the Renewables segment of US$0.2 million.

Gross profit and gross profit margin
Despite the decreased revenue, the Group's cost of sales for FY2019 increased by 1.9% or US$0.07 million to US$3.83 million, from US$3.76 million for FY2018. The overall increase in cost of sales was mainly due to the rising direct project costs.

As a result, the gross profit for FY2019 decreased by 38.6% or US$1.47 million to US$2.3 million, from US$3.8 million in FY2018. The Group's gross profit margin for FY2019 decreased by 12.4 percentage points to 37.9% as compared to 50.3% for FY2018.

Distribution expenses
The Group's distribution expenses decreased by US$0.1 million or 20.2%, from US$0.55 million in FY2018 to US$0.44 million in FY2019. The decrease was mainly due to lower business development cost.

Administrative expenses
The Group's administrative expenses decreased by US$1.2 million or 23.9%, from US$5 million in FY2018 to US$3.8 million in FY2019 primarily due to the following:

i. reduction in allowance for doubtful debts of US$0.8 million due to improved customer collection;
ii. reduction in employee and directors' remuneration of US$0.8 million; and
iii. the absence of one-off NauticAWT performance share plan expense of US$0.5 million in FY2018.

This decrease was partially offset by the increase in professional costs of US$0.1 million incurred in relation to the debt restructuring (the "**Debt Restructuring**") and placement (the "**2019 Placement**") exercises which were completed on 13 December 2019 and an impairment loss of property, plant and equipment of US$1 million.

Other income
The Group's other income increased by US$2.3 million, from US$41,000 in FY2018 to US$2.3 million in FY2019 primarily due to the one-off US$2.0 million gain on debt restructuring arising from the share issuance and US$0.2 million recognition of gain on disposal of asset held for sale, which completed during the year.

Finance costs
The Group's finance costs remained at US$0.6 million in FY2019 as compared to FY2018. The interest expenses were incurred primarily from interest bearing bank loans, convertible notes and loans, loans from directors and third parties.

Income tax credit
The Group recorded income tax credit of US$45,000 in FY2018, mainly due to the reversal of deferred tax liabilities. No such reversal during FY2019.

Loss after tax
As a result of the above, the Group suffered a loss for the year from continuing operations of US$0.2 million in FY2019, significantly improved by US$2.0 million as compared to the losses of US$2.2 million in FY2018.

FINANCIAL HIGHLIGHTS

Consolidated Statement of Financial Position	**31 December 2019 US$ million**	31 December 2018 US$ million
Current assets	**6.0**	3.5
Non-current assets	**6.6**	8.4
Current liabilities	**6.4**	8.1
Non-current liabilities	**4.1**	6.9
Equity attributable to owners of the Company	**2.2**	(3.1)

Non-current assets

The Group's non-current assets decreased by US$1.8 million, from US$8.4 million as at 31 December 2018 to US$6.6 million as at 31 December 2019. It was mainly due to the decrease in property, plant and equipment of US$1.9 million as a result of the impairment and depreciation charge and disposal, partially offset by the acquisition of property, plant and equipment during the year. There was also a recognition of right-of-use assets of US$0.1 million in FY2019, arising from the adoption of SFRS(I) 16 effective from 1 January 2019.

Current assets

The Group's current assets increased by US$2.5 million, from US$3.5 million as at 31 December 2018 to US$6.0 million as at 31 December 2019. The significant increase was mainly due to the following:

i. significant increase in cash and bank balances of US$3.2 million primarily due to the receipt of the 2019 Placement fund; and
ii. increase in other receivables of US$0.9 million mainly due to a deposit of US$0.7 million paid in relation to the acquisition of 35% equity interest in Rich Restaurant Company Limited as announced on 18 December 2019.

The increase was partially offset by the following:

i. decrease in trade receivables of US$0.8 million due to improved customer collection;
ii. decrease in inventories of US$0.3 million; and
iii. decrease in contract assets of US$0.4 million arising primarily from the timing of billing.

Non-current liabilities

The Group's non-current liabilities decreased by US$2.8 million, from US$6.9 million as at 31 December 2018 to US$4.1 million as at 31 December 2019. The decrease was mainly due to the settlement of convertible notes and loans of US$2.6 million as part of the Debt Restructuring and the repayment of bank loans in FY2019. The increase of other payables was mainly due to the transfer from current to non-current under the Debt Restructuring. In addition, an increase of lease liability of US$0.01 million in current year is due to the adoption of SFRS(I) 16 effective from 1 January 2019.

Current liabilities

The Group's current liabilities decreased by US$1.8 million, from US$8.1 million as at 31 December 2018 to US$6.4 million as at 31 December 2019. The decrease was mainly due to the following:

i. decrease in trade and other payables of US$1.3 million and loan from directors of 0.1 million mainly as a result of the Debt Restructuring;
ii. decrease in liabilities for trade bills discounted with recourse of US$0.1 million due to repayment during the year;
iii. decrease in bank loans and advances of US$0.1 million due to repayments during the year.
iv. decrease in liability directly associated with assets classified as held for sale of US$0.2 million due to the completion of the disposal in a subsidiary; and
v. partially offset by the increase in lease liabilities of US$0.1 million due to the adoption of SFRS(I) 16 effective from 1 January 2019 as well as contract liabilities of US$0.1 million for an advance payment from customer.

FINANCIAL HIGHLIGHTS

Consolidated Statement of Cash Flows	**FY2019**	FY2018
	US$ million	US$ million
Net cash from (used in) operating activities	**0.8**	(0.2)
Net cash used in investing activities	**(0.0)**	(0.7)
Net cash from financing activities	**1.8**	0.7
Cash and cash equivalents at end of year	**2.3**	(0.3)

Operating activities

Net cash from operating activities in FY2019 amounted to US$0.8 million taking into account the loss before tax of US$0.2 million, adjusted for working capital inflows of US$1.2 million. The working capital inflows was mainly due to decrease in trade receivables of US$0.8 million, decrease in contract assets of US$0.4 million, decrease in inventories of US$0.3 million, increase in trade payables of US$0.1 million, increase in other payables of US$0.4 million and increase in contract liabilities of US$0.1 million, partially offset by increase in other receivables of US$0.9 million and decrease of trade bills discounted with recourse of US$15,012. During FY2019, the Group paid income tax of approximately US$4,000 and interest of US$0.3 million.

Investing activities

Net cash used in investing activities in FY2019 amounted to US$3,000 mainly due to additions of intangible assets of US$7,000 in relation to material development and property, plant and equipment of US$2,000, partially offset by the proceeds from disposal of property, plant and equipment of US$6,700.

Financing activities

Net cash generated from financing activities in FY2019 amounted to US$1.8 million mainly due to the 2019 Placement fund of US$3.0 million, loan from directors and third parties of US$0.1 million each, which was partially offset by repayments of bank loans, loan from directors and third parties of US$0.3 million, US$0.1 million and US$0.3 million respectively, US$0.6 million fixed deposit placed with a financial institution as the additional security of the bank borrowing of a subsidiary and principal repayment of lease liabilities of US$0.1 million.

As a result of the above, the Group's cash and cash equivalents increased by US$2.6 million, from a deficit of US$0.3 million as of 31 December 2018 to a surplus of US$2.3 million as of 31 December 2019, net of the restricted cash and bank overdrafts.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**" or "**Directors**") of NauticAWT Limited (the "**Company**", and together with its subsidiaries, the "**Group**") are firmly committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group's business and performance.

This report describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December ("**FY**") 2019, with specific reference made to the principles of the Code of Corporate Governance 2018 (the "**Code**"), which forms part of the continuing obligations of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

The Board confirms that, for FY2019, the Company has adhered to the principles as set out in the Code, where there are deviations from the provisions of the Code, appropriate explanations are provided.

<u>BOARD MATTERS</u>

THE BOARD'S CONDUCT OF AFFAIRS

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

The Board works with the senior management of the Group (the "**Management**") for the long-term success of the Company.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold Management accountable for performance and the Board is accountable to shareholders of the Company ("**Shareholders**") through effective governance of the business. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Besides carrying out its statutory responsibilities, the principal functions of the Board are as follows:

- providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

- reviewing management performance;

- identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

- setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and

- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Continuous Training for Directors and Orientation for Incoming Directors

For new appointments to the Board, the Company will provide a formal letter to such new director, setting out the director's duties and obligations. Such directors are given appropriate briefings when they are first appointed to the Board. Appropriate induction programmes are conducted for all new directors appointed to the Board to ensure that they are familiar with the Group's business, operations, governance practice and regulatory requirements. The induction programme will allow the new Director to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have ongoing independent access to the Management. The Company will arrange the SGX-ST's prescribed training for directors with no prior experience as a director of a listed company on the SGX-ST on the roles and responsibilities of a director of a listed company.

CORPORATE GOVERNANCE REPORT

Dr Chirasak Chiyachantana, Dr Kunchit Singsuwan, Dr Aphichat Sramoon and Mr Kenny Lim Yeow Hua were appointed to the Board on 13 December 2019. Dr Chirasak Chiyachantana, Dr Kunchit Singsuwan and Dr Aphichat Sramoon do not have prior experience as a director of a company listed on the SGX-ST. Prior to their appointments, they have attended the relevant training courses conducted by Singapore Institute of Directors.

The Directors are provided with continuing briefings from time to time and are kept updated on changing commercial risks and key changes in the relevant legal and regulatory requirements including directors' duties and responsibilities, corporate governance and developing trends, insider trading and accounting standards so as to enable them to properly discharge their duties as Board members. The Company is responsible for arranging and funding the training of the Directors. During FY2019, the Directors were provided with updates on the developments in financial reporting and governance standards by the external and internal auditors, as well as updates on code of corporate governance by the regulators and Sponsor.

Matters Requiring Board Approval

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, fundraising proposals, major corporate policies on key areas of operations, the release of the Group's half-year and full-year results and interested person transactions.

Delegation of Authority to Board Committees

To assist in the execution of its responsibilities, the Board has established three committees comprising the audit committee (the "**AC**"), the nominating committee (the "**NC**") and the remuneration committee (the "**RC**") (collectively, the "**Board Committees**"). These Board Committees function within clearly defined written terms of reference and operating procedures, which are reviewed on a regular basis. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive officer to attend their meetings. The Board Committees report its activities regularly to the Board and minutes of the Board Committees meetings are also regularly provided to the Board. The effectiveness of each Board Committee is also constantly monitored to ensure their continued relevance.

Meetings of Board and Board Committees

The Board meets regularly and ad-hoc Board meetings are convened when they are deemed necessary. The Company's constitution ("**Constitution**") provides for meetings of the Board to be held by way of video and telephonic conference.

For FY2019, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:

		Board Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of meetings held	3	2	1	1
Number of meetings attended				
Mr Lim How Teck (resigned on 13 December 2019)	2	2	1	1
Mr John Grønbech	3	2 (1)	1 (1)	1 (1)
Mr Teo Lek Hong (resigned on 13 December 2019)	2	2	1	1
Mr Tay Kee Liat (resigned on 13 December 2019)	2	2	1	1
Dr Chirasak Chiyachantana (appointed on 13 December 2019)	1	- (2)	- (2)	- (2)
Dr Kunchit Singsuwan (appointed on 13 December 2019)	1	- (2)	- (2)	- (2)
Dr Aphichat Sramoon (appointed on 13 December 2019)	1	- (2)	- (2)	- (2)
Mr Kenny Lim Yeow Hua (appointed on 13 December 2019)	1	- (2)	- (2)	- (2)

Notes:
(1) Attendance by invitation.
(2) No meetings were held post their appointments.

Multiple Board Representations

Directors with multiple board representations are to disclose such board representations and ensure that sufficient time and attention are given to the affairs of the Group. The NC will review the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention is given to the affairs of the Group.

Provision of Information to the Board and Board Committees

The Board and Board Committees are furnished with detailed information concerning the Group from time to time to support their decision-making process and to fulfil their responsibilities. Prior to each Board and Board Committee meetings, the members are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Such Board papers are prepared for each Board and Board Committee meetings and are normally circulated in advance of each meeting so that the Directors can be adequately prepared for the Board and Board Committee meetings. The Management will supply additional information that the Board or Board Committees require in a timely manner.

Access to Management, Company Secretary and Independent Professional Advice

The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times. In the furtherance of their duties, the Board may seek independent professional advice from external professionals and such costs are to be borne by the Company.

The Company Secretary attends all Board meetings and ensures that all Board procedures and requirements of regulatory filings are complied with. The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole.

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 Degree of Independence of the Board

As at the date of this report, the Board comprises five members, as follows:

Dr Chirasak Chiyachantana	Non-Independent Non-Executive Chairman
Mr John Grønbech	Executive Director and CEO
Dr Kunchit Singsuwan	Independent Director
Dr Aphichat Sramoon	Independent Director
Mr Kenny Lim Yeow Hua	Lead Independent Director

The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no 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 the Director's independent business judgement in the best interests of the Company. With three out of five Directors being Independent Directors and four out of five Directors being non-executive Directors, it is believed that the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues. Therefore, there is no individual or small group of individuals who dominates the Board's decision making.

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. The Independent Directors do not have any relationships including immediate family relationships between the Directors, the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be perceived to interfere, with the exercise of their independent business judgement in the best interest of the Company. The NC is satisfied that all Independent Directors of the Company are independent. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the listing rules of the SGX-ST to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions.

Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules, it stipulates that a director will not be independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer.

In this regard, each of the Independent Directors has confirmed that they and their respective associates do not have any employment relationships with the Company.

Composition and Size of the Board

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The NC is of the view that the current Board size of five members is appropriate taking into account the nature and scope of the Group's operations.

The Board and the Board Committees have an appropriate balance and diversity of expertise and business experience and collectively possess the necessary core competence to lead and govern the Group effectively. Each Director has been appointed on the strength of his calibre, experience and stature. Each Director is expected to bring valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

None of the Independent Directors has been appointed as a director to the Company's principal subsidiaries. The Board and the Management are of the view that the current board structure of the principal subsidiaries of the Company is well organised and constituted. The Board will from time to time make the appropriate corporate decisions to consider the appointment of the Independent Director to the Company's principal subsidiaries.

The Board also confirms that none of the Directors has served on the Board beyond nine years from the date of his first appointment. Nonetheless, the independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to particularly rigorous review.

The profiles of the Directors are set out on page 3 of the annual report.

Meetings without the presence of Management

Non-Executive Directors and Independent Directors meet regularly without the presence of Management, in the meetings with the external auditors at least annually and on such other occasions as may be required and the chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Roles and Responsibilities of Chairman and CEO

The Chairman and the Chief Executive Officer of the Company are separate individuals.

The Chairman is Dr Chirasak Chiyachantana. He has the responsibilities of setting the meeting agenda of the Board meetings, leading the other Board members, promoting high standards of corporate governance and maintaining effective communication with Shareholders.

The CEO is Mr John Grønbech. He is responsible for client management, strategic business development and oversees the overall management of the Group.

Lead Independent Director

The Lead Independent Director is Mr Kenny Lim Yeow Hua. He has the responsibilities to provide leadership in situations where the Chairman is conflicted. The lead independent director is available to Shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

BOARD MEMBERSHIP

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

Composition and Terms of Reference of Nominating Committee

As at the date of this report, the NC comprises the following members:

Dr Aphichat Sramoon	Chairman
Dr Kunchit Singsuwan	Member
Mr Kenny Lim Yeow Hua	Member

The NC is governed by its written terms of reference. All members of the NC, including the chairman, is independent. The NC is responsible for making recommendations on all board appointments and re-nominations having regard to the contribution and performance (such as attendance, participation, preparedness and candours) of the director seeking re-election including the following:

- the review of board succession plans for Directors, in particular the Chairman, the CEO and key management personnel;
- to ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- to determine the independence of each director in accordance with the Code on an annual basis and as and when circumstances require;
- to evaluate whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and
- to assess the effectiveness of the Board as a whole, its Board Committees and the contribution by each director to the effectiveness of the Board.

Evaluation of the Board

In assessing and selecting a new suitable director, if required, consideration will be given to the candidate's background, experience, industry knowledge and appropriate skills relevant to the Group's business (so as to enable the Board to make sound and well-considered decisions), and also whether there are any conflicts of interests with the Group. The Company does not have a formal process for the selection and appointment of new directors to the Board. However, if required, the Company has or is able to procure search services, contacts and recommendations for the purposes of identifying suitably qualified and experienced persons for appointments to the Board. The Board and the NC will endeavour to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They will also ensure that each director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. The Board is also advised by the Sponsor on appointment of directors as required under Catalist Rule 226(2)(d).

Board appointments are made by way of a board resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended such appointments to the Board. Pursuant to the Company's Constitution, each director is required to retire at least once every three years by rotation and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting of the Company following their appointment. The retiring directors are eligible to offer themselves for re-election. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance, independence or re-nomination as a Director or any other matters in which he has an interest.

The dates of initial appointment and re-election of the Directors are set out below:

Director	Position	Date of initial appointment	Date of last re-election
Dr Chirasak Chiyachantana	Non-Independent Non-Executive Chairman	13 December 2019	Not applicable
Mr John Grønbech	Executive Director and CEO	2 September 2011	27 April 2018
Dr Aphichat Sramoon	Independent Director	13 December 2019	Not applicable
Dr Kunchit Singsuwan	Independent Director	13 December 2019	Not applicable
Mr Kenny Lim Yeow Hua	Lead Independent Director	13 December 2019	Not applicable

The key information regarding the Directors is set out on page 3 of this annual report.

The NC in determining whether to recommend a director for re-election will take into consideration such director's performance and contribution to the Group which includes qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the Management and attendance record.

Determining Directors' Independence

The NC determines on an annual basis whether or not a Director is independent. As and when circumstances require, the NC will also assess and determine a Director's independence.

Each Independent Director completes a declaration to confirm his/her independence on an annual basis. The declaration is drawn up based on the guidelines provided in the Catalist Rules and the Code.

The NC carried out the review on the independence of each Independent Director, taking into account the respective Directors' self-declarations and their actual performance on the Board and Board Committees, and is satisfied that the Independent Directors are able to act with independent judgment.

Commitments of Directors Sitting on Multiple Boards

The NC has considered and taken the view that it would not be appropriate to set a limit on the number of listed directorships that a Director may hold because directors have different capabilities, the nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities. For FY2019, the NC is satisfied that sufficient time and attention is being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Board performance is linked to the overall performance of the Group. The Board complies with the applicable laws and members of the Board are required to act in good faith, with due diligence and care in the best interests of the Company and its Shareholders.

The NC has adopted a process for an annual evaluation, by way of questionnaire, of the Board's performance and effectiveness as a whole, its Board Committees and also individually, based on the contribution by each Director to the effectiveness of the Board. The appraisal process includes a review of a Director's background, experience, industry knowledge and appropriate skills relevant to the Group's business and also whether there are any conflicts of interests with the Group. The appraisal process also focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board processes and accountability, communication with the senior Management and the Directors' standard of conduct.

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability and Committees' ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist. In addition, each of the Directors has completed an Individual Directors' Evaluation Checklist, giving their assessment and review of other Directors' performance and, in the case of Independent Directors who have served more than 9 years, to consider their continued independence despite the tenure of their office.

The results of such assessment and evaluation were collated by the Company Secretary and reviewed and considered by the NC, with the appropriate reports or recommendations (including on follow-up actions, if any) provided to the Board.

The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, proposed, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

The Company does not engage an external facilitator in respect of the Board Performance Evaluation.

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.

Composition and Terms of Reference of Remuneration Committee

As at the date of this report, the RC comprises the following members:

Dr Kunchit Singsuwan	Chairman
Dr Aphichat Sramoon	Member
Mr Kenny Lim Yeow Hua	Member

The RC reviews and makes recommendations to the Board on the framework of remuneration, and the remuneration packages for each director as well as for the key management personnel.

The RC is governed by its written terms of reference. All members of the RC, including the chairman, is independent. The duties and powers of the RC are, inter alia, as follows:

- to recommend to the Board a framework of remuneration for the Directors and the Management which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

- to determine specific remuneration packages for each Executive Director;

- to recommend to the Board the remuneration of non-executive directors, which should be appropriate to the level of their respective contributions, taking into account factors such as effort and time spent, and the responsibilities of our non-executive directors; and

- to determine the targets for any performance-related schemes in respect of the Executive Director(s), and to review and recommend to the Board the terms of renewal of their service contracts to ensure that such contracts of service, if any, contain fair and reasonable termination clauses

Access to Remuneration Consultants

Majority of the members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has full authority to engage any external professional to advise on matters regarding executive compensation matters, if required.

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.

In setting remuneration packages, the Company takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual employee.

The RC's recommendations are submitted for approval by the Board. No director is involved in deciding his own remuneration. Each member of the RC will abstain from reviewing and voting on any RC resolution approving his own remuneration and the remuneration packages of persons related to him.

Remuneration Structure of Executive Director

In connection with the Company's listing on the SGX-ST in July 2015 (the "**Listing**"), the service agreement between the Executive Director is valid for an initial period of three (3) years upon Listing and will be automatically extended on a yearly basis thereafter. Pursuant to which, the remuneration for the Executive Director comprises a basic salary component and a variable component, based on the performance of the Group as a whole and his individual performance. The Executive Director does not receive Directors' fees.

Remuneration Structure of Key Management Personnel

The remuneration of the key management personnel generally comprises primarily of a basic salary component and a variable component which is the bonuses, based on the performance of the Company and the Group as a whole and individual performance.

Contractual Provisions Protecting the Company's Interests

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The RC, will consider, if required, whether there is a requirement to institute such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the Executive Director and key management personnel paid in prior years in such exceptional circumstances.

Remuneration Structure of Independent Directors and Non-Executive Directors

The Independent Directors and Non-Executive Directors receive directors' fees of varying amounts taking into account factors such as their respective roles and responsibilities, effort and time spent for serving on the Board and Committees. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

The Board may, if it considers it necessary, consult experts on the remuneration of Independent Directors and Non-Executive Directors.

The payment of Directors' fees is subject to the approval of Shareholders, and the Board will recommend the remuneration of the Non-Executive Directors for approval by shareholders at the Annual General Meeting of the Company ("**AGM**"). The Executive Directors do not receive directors' fees.

Remuneration Framework

The Board is of the view that the current remuneration structure for the Executive Directors, Non-Executive Directors and key management personnel are appropriate to attract, retain and motivate 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.

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the remuneration of the Directors and the Group's top five key management executives (who are not Directors or the CEO) is not in the best interests of the Company. The Board has taken into account, inter alia, the sensitivity of the matter, the highly competitive business environment the Group operates in and the disadvantages that such disclosure may have on the Group.

The RC will also review the Company's obligations arising in the event of a termination of the Executive Director's and management's contracts of service, to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

Remuneration of Directors and Key Management Personnel

The remuneration bands of the Directors for FY2019 are set out below:

Remuneration Band and Name of Directors	Salary	Variable bonus	Director fees	Other benefits	Total
	(%)	(%)	(%)	(%)	(%)
Above or equal to S$500,000 to below S$750,000					
Mr John Grønbech	0.5[1]	-	-	99.5[2]	100.0
Below or equal to S$250,000					
Mr Lim How Teck (resigned on 13 December 2019)	-	-	100.0	-	100.0
Mr Teo Lek Hong (resigned on 13 December 2019)	-	-	100.0	-	100.0
Mr Tay Kee Liat (resigned on 13 December 2019)	-	-	100.0	-	100.0
Dr Chirasak Chiyachantana[3] (appointed on 13 December 2019)	-	-	-	-	-
Dr Kunchit Singsuwan[3] (appointed on 13 December 2019)	-	-	-	-	-
Dr Aphichat Sramoon[3] (appointed on 13 December 2019)	-	-	-	-	-
Mr Kenny Lim Yeow Hua[3] (appointed on 13 December 2019)	-	-	-	-	-

Notes:
(1) Including a one-off reduction of $386,968 in relation to remuneration for FY2018.
(2) Other benefits includes allowance and benefit-in-kind.
(3) All Directors appointed on 13 December 2019 did not receive any remuneration for FY2019.

The remuneration bands of the top five key management executives of the Group (who are not Directors or the CEO) in bands of S$250,000 for FY2019 are set out below:

Remuneration bands	Number of key executives
Above S$250,000 to below S$500,000	1
Below or equal to S$250,000	4

The total remuneration, in aggregate, paid to the top five key management executives of the Group (who are not Directors or the CEO) for FY2019 is S$863,881.

None of the full-time employees are related to the Directors and/or substantial Shareholders. The Company does not have any employee who is an immediate family member of a Director or CEO, and whose remuneration exceeds S$100,000 during FY2019.

The Company has adopted an employee share option scheme known as the “NauticAWT Employee Share Option Scheme” (“**NauticAWT ESOS**”) and a performance share plan known as the “NauticAWT Performance Share Plan” (“**NauticAWT PSP**”) in conjunction with the Listing, which were approved by its Shareholders at an extraordinary general meeting held on 3 July 2015. Both the NauticAWT PSP and the NauticAWT ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. They form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group.

The RC oversees the administration of the NauticAWT ESOS and the NauticAWT PSP.

Persons eligible to participate in the NauticAWT ESOS and the NauticAWT PSP include any confirmed employee of the Group (including any executive director of the Group) and directors of the Company. The aggregate number of shares to be delivered under both the NauticAWT ESOS and the NauticAWT PSP, or any other schemes implemented by the Company (if any), shall not exceed 15% of total issued share capital of the Company (excluding treasury shares and subsidiary holdings) on the day immediately before the date of grant or award. Exercise price of options granted under the NauticAWT ESOS will be at the discretion of the RC. However, it cannot be at a discount of greater than 20% to the market price (being the average of the last dealt prices for a share for the five consecutive trading days preceding the relevant date of grant). The NauticAWT ESOS and NauticAWT PSP shall continue to be in force at the discretion of the RC, subject to maximum period of 10 years, commencing on the date on which the NauticAWT ESOS and the NauticAWT PSP are adopted by Shareholders in a general meeting on 3 July 2015.

As part of the Group's Debt Restructuring, both the NauticAWT ESOS and the NauticAWT PSP were extinguished and terminated during FY2019.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS, AND AUDIT COMMITTEE

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.

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

Risk Management System

Risk management forms part of the responsibilities of the AC.

The Board, assisted by the AC, has oversight of the risk management system in the Group. The practice of risk management is undertaken by the Executive Director and the Management under the purview of the AC and the Board. The Group has put in place appropriate risk management processes to evaluate the operating, investment and financial risks of the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board reviews the adequacy and effectiveness of the Group's risk management systems and internal controls framework, including financial, operational, compliance and information technology controls on an annual basis.

*Assurance from CEO and Chief Financial Officer ("**CFO**")*

For FY2019, the CEO and the CFO have provided their assurance to the Board that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are adequate and effective.

Board's Opinion on Internal Controls

Based on the work carried out by the internal auditor, the review undertaken by the external auditor, the existing internal controls in place and the assurance received from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that, for FY2019, the internal controls in place in the Group to address risks relating to financial, operational, compliance, information technology controls and risk management systems are adequate and effective.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be *reasonably* foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, frauds or other irregularities.

Composition and Terms of Reference of Audit Committee

As at the date of this report, the AC comprises the following members:

Mr Kenny Lim Yeow Hua	Chairman
Dr Kunchit Singsuwan	Member
Dr Aphichat Sramoon	Member

The members of the AC are appropriately qualified and possess the relevant accounting or related financial management expertise or experience to discharge their responsibilities.

The AC is governed by its written terms of reference. All members of the AC, including the chairman, is independent. The duties and powers of the AC are, inter alia, as follows:

- assist the Board in the discharge of its responsibilities on financial reporting matters;

- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits compiled by the internal and external auditors;

- review the interim and annual consolidated financial statements and results announcements 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, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

- review and report to the Board at least annually the adequacy and effectiveness of the Group's internal control procedures addressing financial, operational, compliance, information technology controls and risk management systems and ensure co-ordination between the internal and external auditors, and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

- review the independence and objectivity of the external auditor;

- review and discuss with the external auditor any suspected fraud or 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;

- make recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

- review significant financial reporting issues and judgments with the CFO and the external auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

- review any potential conflicts of interest;

- review the suitability of the CFO and the adequacy of the finance team on an on-going basis;

- review and approve all hedging policies and instruments (if any) to be implemented by the Group;

- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

- review the financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

- review and establish procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

- review the Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

- review arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up; and

- generally to undertake such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has full authority to investigate any matter within its terms of reference, full access to and co-operation from the Management and full discretion to invite any director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

Continuing Development of the Audit Committee

The AC also meets regularly with the Management, the CFO and external auditor to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the AC meets with the external and internal auditors without the presence of the Management, to review any matters that might be raised privately. For FY2019, the AC has met the external and internal auditors without the Management.

External Audit Function

The AC reviews the scope and results of the audit work, the cost effectiveness of the audit and the independence and objectivity of the external auditor, Messrs Foo Kon Tan LLP ("**FKT**"). During FY2019, the AC has reviewed independence of the external auditor including the nature of non-audit services provided by FKT. The AC has reviewed the nature and amount of non-audit fees paid to FKT, as disclosed in Note 26 to the financial statements of the Company, and is of the view that the independence and objectivity of the external auditor and other auditors have not been compromised.

No former partner or director of the Company's current auditing firm or auditing corporation is a member of the AC.

The AC has recommended to the Board the re-appointment of FKT as the Group's external auditor and the Board has accepted the AC's recommendation and the re-appointment will be tabled in the forthcoming annual general meeting.

The Company's external auditor have also briefed the AC on the changes in the financial reporting standards that will take effect in the following years. This ensures that the AC is kept abreast with the changes in financial reporting standards which could have a direct impact on the Group's financial statements.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rules 712 and 716 of the Catalist Rules.

Whistle Blowing Policy

The Company has put in place a whistle-blowing policy where the staff of the Company and third parties may, in confidence, raise concerns via letter or email about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted. No such whistle-blowing letter or email was received in FY2019.

Internal Audit Function

The Board supports the need for an internal audit function where its primary objective is to maintain a system of internal controls and processes to safeguard Shareholders' investment and the Group's assets. The internal auditor's primary role is to assist the Board and the Management to review the effectiveness of the key internal controls, including financial, operational, compliance, information technology controls, and risk management systems on an ongoing basis and to provide an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes.

For FY2019, the AC has appointed Yang Lee and Associates as the internal auditor. The internal auditor carried out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC is satisfied that the internal auditor is adequately resourced to perform its functions effectively, and is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal auditor's primary line of reporting is to the chairman of the AC and has unfettered access to all the Company's documents, records, properties, and personnel, including access to the AC. Procedures are in place for the internal auditor to report independently their findings and recommendations to the AC. The AC will review the adequacy and effectiveness of the Group's internal audit function on an annual basis.

To ensure the adequacy of the internal audit function, the AC reviews and approves the internal audit plan, scope and findings of internal audit procedures on an annual basis. The AC will also assess the effectiveness of the internal audit, on an annual basis, by examining the scope of the internal audit work and its independence, the internal auditor's report and its relationship with the external auditor. The hiring, evaluation and compensation of the internal auditor are subject to the approval of the AC.

<u>SHAREHOLDER RIGHTS AND ENGAGEMENT</u>

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Provision of Information to Shareholders

Shareholders are informed of general meetings through annual reports and circulars sent to all Shareholders in addition to notices published in the newspapers and the Company's announcements via SGXNET. The Company ensures that timely and adequate disclosure of information on matters with material impact on the Company are made to Shareholders, in compliance with the Catalist Rules.

Proxies

The Company's Constitution allows Shareholders to attend and vote at general meetings of the Company by proxies. A Shareholder may appoint up to 2 proxies to attend and vote on his behalf at a general meeting through proxy form deposited 48 hours before the meeting. However the Company allows Shareholders who are relevant intermediaries (as defined in Section 181(6) of the Companies Act, Chapter 50 of Singapore) to appoint more than 2 proxies to attend and vote at the same general meeting.

In conjunction with the notices of general meetings, Shareholders are provided with the proxy forms which include the instructions on voting.

Procedure of General Meetings

The Company will also appoint a polling agent and an independent external party as scrutineer who will attend the general meetings to ensure that the polling process is properly carried out.

Prior to the general meetings, the scrutineer will review the proxies and the poll voting system and attends to the proxy verification process to ensure that the proxy and poll voting information is compiled correctly. The rules, including the voting process, shall be explained by the scrutineers at general meetings.

Separate resolutions on each distinct issue are tabled at general meetings. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. Shareholders will be given the opportunity to pose queries in relation to the resolution tabled before the resolution is proposed and seconded. All resolutions are conducted by poll (by way of poll voting slips collected after all resolutions have been proposed and seconded, in the presence of independent scrutineers. The results of the poll showing the number of votes cast for and against each resolution and the respective percentages are shown to shareholders of the Company at the meeting after all the resolutions have been put to the poll, and will be published on SGXNET thereafter.

Attendees at General Meetings

The Board and Management are generally present at these meetings to address any questions that shareholders may have. External auditors are also present to assist the Board in addressing queries by Shareholders.

Details of the Board attendance for the three (3) general meetings held in FY2019 are as follows:

Date of Meeting	Meeting	Details of Board attendance
1 April 2019	EGM	The entire board present
29 April 2019	AGM	The entire board present
19 November 2019	EGM	Save for Mr. Teo Lek Hong, the entire board present

Voting in Absentia

The Constitution allows Directors, at their sole discretion, to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

Minutes of General Meetings

Minutes of general meetings (including minutes of AGM), which include substantial comments or queries from Shareholders and responses from the Board and Management, are publicly available the Company's website.

Dividend Policy

The Company currently does not have a formal dividend policy. The form, frequency and amount of future dividends on our shares will depend on our cash and retained earnings, expected and actual future earnings, working capital requirements, general financing conditions, projected levels of capital expenditure and other investment plans, restrictions on payments of dividends imposed on the Company by the financial arrangements (if any) as well as general business conditions and other factors as the Directors may, in their absolute discretion, deem appropriate. The Company recorded a loss for FY2019, accordingly no dividend was paid for the period.

ENGAGEMENT WITH SHAREHOLDERS

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

Disclosure of information on timely basis

The Company is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its Shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its Shareholders' views and addressing their concerns. By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

Communication with Shareholders

The Company communicates with Shareholders and the investment community through timely release of announcements via the SGXNET, including the Company's financial results announcements which are published through the SGXNET on a half yearly basis. Financial results announcements and annual reports are announced or issued within the mandatory period prescribed.

General meetings have been and are still the principal forum for dialogue with Shareholders. Shareholders' views are sought at general meetings, and Shareholders are given the opportunity to air their views and ask Directors and Management questions regarding the Company and the Group.

Shareholders may also provide any feedback they may have about the Company to the Company's email at contact@nautec.com.

Investor Relations Practices

The Company has a team of investor relations ("**IR**") personnel who focus on facilitating the communications with all stakeholders – Shareholders, regulators, analysts and media, etc – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

Shareholders can contact the Company at contact@nautec.com. The IR personnel have procedures in place for following up and responding to stakeholders queries as soon as applicable.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators and shareholders.

The Company does not practice selective disclosure. Price sensitive information is released on SGXNET on a timely basis as required by the Catalist Rules. Financial results and annual reports are announced or issued within the mandatory periods. The release of such timely and relevant information is crucial to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company.

The Company maintains a company website at www.nautec.com to communicate and engage stakeholders.

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES

The Company has adopted a policy which prohibits dealings in the securities of the Company by the Directors and employees of the Group while in possession of price-sensitive information. Under this policy, the Company, the Directors and employees of the Group are not permitted to deal with the securities of the Company during the period commencing one month before the announcement of the Company's half-year and full year results, and ending on the date of the announcement.

In addition, the Directors and employees are also discouraged from dealing in the Company's securities on short-term considerations and are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. The Board is kept informed when a Director trades in the Company's securities.

DISCLOSURE OF MATERIAL CONTRACTS

Except as disclosed in Note 29 of the notes to the financial statements and the Service Agreement between the Executive Director and the Company, there were no other material contracts of the Company and its subsidiaries involving the interests of the Group CEO or each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

No general mandate has been obtained from Shareholders in respect of interested person transactions for FY2019. There were no interested person transactions of S$100,000 or more for FY2019.

NON-SPONSORSHIP FEES

The non-sponsor fees paid to UOB Kay Hian Private Limited for FY2019 is S$145,500.

USE OF PLACEMENT PROCEEDS

On 13 December 2019, the Company raised approximately S$4.5 million from the placement ("**2019 Placement**"). The net proceeds from the 2019 Placement, after deducting expenses of S$0.2 million relating to the 2019 Placement is S$4.3 million (the "**Net Proceeds**"). The Net Proceeds from the 2019 Placement had been disbursed in accordance to the intended purposes as announced on 10 July 2019.

As at the date of this annual report, the use of Net Proceeds is as follows:

Intended Purposes	**Allocated Amount S$ million**	**Utilised Amount S$ million**	**Unutilised Amount S$ million**
Repayment of the Balance Liabilities	0.5	0.4	0.1
Working capital funding and investment via business diversification and acquisitions	3.8	3.5[1]	0.3
Total	**4.3**	**3.9**	**0.4**

Note:

(1) The breakdown of the amount utilised for working capital funding and investment via business diversification and acquisitions is as follows:

	S$ million
Purchase consideration for acquisition of Rich Restaurant Company Limited	3.10
Legal costs	0.08
Professional fees	0.31
Advertisement costs	0.01
	3.50

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors are pleased to present their statement to the members together with the audited financial statements of NauticAWT Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2019.

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, 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 2019 and the financial performance, changes in equity and cash flows of the Group for the 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, as disclosed in Note 2(a) to the financial statements, 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.

Name of directors

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

John Grønbech	
Chirasak Chiyachantana	(Appointed on 13 December 2019)
Kunchit Singsuwan	(Appointed on 13 December 2019)
Aphichat Sramoon	(Appointed on 13 December 2019)
Lim Yeow Hua @ Lim You Qin	(Appointed on 13 December 2019)
Lim How Teck	(Resigned on 13 December 2019)
Teo Lek Hong	(Resigned on 13 December 2019)
Tay Kee Liat	(Resigned on 13 December 2019)

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held 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 2019

Directors' interest in shares or debentures (Cont'd)

	Holdings registered in the name of director or nominee			Holdings in which director is deemed to have an interest		
	As at 1.1.2019/date of appointment, if later	**As at 31.12.2019**	**As at 21.1.2020**	As at 1.1.2019/ date of appointment, if later	**As at 31.12.2019**	**As at 21.1.2020**
The Company						
NauticAWT Limited			Number of ordinary shares			
John Grønbech	82,088,000	**98,307,162**	**30,057,162**	-	-	-
Chirasak Chiyachantana	400,000,000	**400,000,000**	**400,000,000**	-	-	-
Lim How Teck [(1)]	150,600	**11,984,979**	**11,984,979**	-	-	-
Teo Lek Hong [(1)]	-	**1,299,686**	**1,299,686**	-	-	-
Tay Kee Liat [(1)]	-	**1,251,795**	**1,251,795**	-	-	-
Nautic Offshore Mexico S.A. de C.V.						
John Grønbech	1 [(2)]	1 [(2)]	1 [(2)]	-	-	-

(1) The directors resigned on 13 December 2019.
(2) The share is held in trust for the Company.

By virtue of Section 7 of the Act, Mr John Grønbech and Mr Chirasak Chiyachantana is deemed to have an interest in all the related corporations of the Company.

Share plans and share options

NauticAWT Performance Share Plan ("NauticAWT PSP")

The NauticAWT PSP was approved pursuant to a resolution passed by the shareholders of the Company on 3 July 2015.

The NauticAWT PSP is administered by the Remuneration Committee (the "RC") whose members are:

- Teo Lek Hong (Chairman of the RC and Independent and Non-executive Director) (Resigned on 13 December 2019)
- Lim How Teck (Independent and Non-executive Director) (Resigned on 13 December 2019)
- Tay Kee Liat (Independent and Non-executive Director) (Resigned on 13 December 2019)
- Kunchit Singsuwan (Chairman of the RC and Independent and Non-executive Director) (Appointed on 13 December 2019)
- Lim Yeow Hua @ Lim You Qin (Independent and Non-executive Director) (Appointed on 13 December 2019)
- Aphichat Sramoon (Independent and Non-executive Director) (Appointed on 13 December 2019)

The grant of shares are determined at the absolute discretion of the RC, which shall take into consideration, where applicable, factors such as the Group employee or Group non-executive directors ("Participants") rank, scope of responsibilities, performance, length of service, contribution to the success and development of the group, potential for future development of the Participant and/or the extent of effort of resourcefulness required to achieve the Performance Conditions within the Performance Period. The Performance Conditions and Performance Period are determined by the RC at its discretion.

Share plans and share options (Cont'd)

NauticAWT Performance Share Plan ("NauticAWT PSP") (Cont'd)
On 21 March 2018, the Company allotted and issued 21,367,632 new ordinary shares at S$0.03 per share amounting to US$485,702, pursuant to the vestment of awards under the NauticAWT PSP. The new ordinary shares rank pari passu in all respects with the existing shares of the Company. Following the allotment and issuance of the new ordinary shares, the total number of issued shares of the Company has increased from 190,965,893 shares to 212,333,525 shares.

The aggregate number of shares issued and/or issuable pursuant to the NauticAWT Employee Share Option Scheme ("NauticAWT ESOS"), the NauticAWT PSP and any other share-based incentive schemes of the company do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

NauticAWT Employee Share Option Scheme ("NauticAWT ESOS")

(a) Options to take up unissued shares

The NauticAWT ESOS was approved pursuant to a resolution passed by the shareholders of the Company on 3 July 2015.

The NauticAWT ESOS is administered by the Remuneration Committee (the "RC") whose members are:
- Teo Lek Hong (Chairman of the RC and Independent and Non-executive Director) (Resigned on 13 December 2019)
- Lim How Teck (Independent and Non-executive Director) (Resigned on 13 December 2019)
- Tay Kee Liat (Independent and Non-executive Director) (Resigned on 13 December 2019)
- Kunchit Singsuwan (Chairman of the RC and Independent and Non-executive Director) (Appointed on 13 December 2019)
- Lim Yeow Hua @ Lim You Qin (Independent and Non-executive Director) (Appointed on 13 December 2019)
- Aphichat Sramoon (Independent and Non-executive Director) (Appointed on 13 December 2019)

The grant of options to each controlling shareholder or associates of controlling shareholders shall be subject to specific approval by the shareholders in a general meeting.

The Directors are authorised and empowered to grant options in accordance with the NauticAWT ESOS and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the NauticAWT ESOS (including but not limited to allotment and issuance of shares in the capital of the Company at any time, whether during the continuance of this authority or thereafter, pursuant to options made or granted by the Company whether granted during the subsistence of this authority or otherwise).

This is provided that the aggregate number of shares issued and/or issuable pursuant to the NauticAWT ESOS, the NauticAWT PSP and any other share-based incentive schemes of the Company do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Offers for the grant of options may be made at any time from time to time at the discretion of the RC, in accordance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). The options are exercisable within 3 years from the commencement of the exercise period.

Share plans and share options (Cont'd)

<u>NauticAWT Employee Share Option Scheme ("NauticAWT ESOS")</u> (Cont'd)

(b) Unissued shares under option and options exercised

On 27 June 2016, the Company granted 23,550,000 options, in 3 equal tranches of 7,850,000 options each, to the Group's directors and employees under the NauticAWT ESOS. The table below summarises the number of outstanding options under the NauticAWT ESOS as at 31 December 2019.

Exercisable Period From	Exercisable Period To	Outstanding at 1 January 2019	Options granted during the year	Cancelled/ forfeited	Outstanding at 31 December 2019	Exercise price per share S$ (US$)
31 December 2017	31 December 2020	3,200,000	-	(3,200,000)	-	0.25 (0.19)
31 December 2018	31 December 2021	3,200,000	-	(3,200,000)	-	0.30 (0.22)
31 December 2019	31 December 2022	3,200,000	-	(3,200,000)	-	0.35 (0.30)
		9,600,000	-	(9,600,000)	-	

The options were granted at a premium to the market price on the grant date.

There were no options granted to any of the Company's controlling shareholders or their associates (as defined in the Catalist Rules).

Holders of the above share options have no right to participate in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under the NauticAWT ESOS, except as follows:

Name of employee	Options granted on 27 June 2016	Aggregate options granted since commencement of the NauticAWT ESOS to the end of financial year	Aggregate options exercised since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option cancelled since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option Exercised/ (cancelled) between the end of financial year and 21 January 2020	Aggregate options outstanding as at 21 January 2020
Elo Yde	2,850,000	2,850,000	-	(2,850,000)	-	-

There were no options granted during the financial year under review.

Share plans and share options (Cont'd)

NauticAWT Employee Share Option Scheme ("NauticAWT ESOS") (Cont'd)

The information on directors of the Company participating in the NauticAWT ESOS is as follows:

Name of director	Options granted on 27 June 2016	Aggregate options granted since commencement of the NauticAWT ESOS to the end of financial year	Aggregate options exercised since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option cancelled since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option Exercised/ (cancelled) between the end of financial year and 21 January 2020	Aggregate options outstanding as at 21 January 2020
Lim How Teck [1]	2,100,000	2,100,000	-	(2,100,000)	-	-

[1] The director resigned on 13 December 2019.

As part of Group's Debt Restructuring, both the NauticAWT PSP and NauticAWT ESOS were extinguished and terminated during the financial year ended 31 December 2019.

Audit Committee
The members of the Audit Committee consisting all non-executive directors, at the date of this report are as follows:

Lim Yeow Hua @ Lim You Qin	(Chairman of AC and independent director)
Kunchit Singsuwan	(Independent director)
Aphichat Sramoon	(Independent director)

The Audit Committee performs the functions set out in Section 201B(5) of the "Act", the Catalist Rules of the Listing Manual of the SGX-ST and the Code of Corporate Governance. In performing those 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 auditors. It also met with the Company's internal auditor to discuss the results of their examination and evaluation of the Group's system of internal accounting controls;

(ii) the audit plan of the Company's external auditor and any recommendations on the Group's internal accounting controls arising from the statutory audit;

(iii) the half-yearly financial information, the statement of financial position of the Company as at 31 December 2019 and the consolidated financial statements of the Group for the financial year ended 31 December 2019, as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the 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;

Audit Committee (Cont'd)

(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) the internal auditors' internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval;

(xi) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xii) interested person transactions (as defined in Chapter 9 of the Catalist Rules of the Listing Manual of the SGX-ST).

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.

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

In appointing our auditors for the Company and its subsidiaries, we have complied with Catalist Rules 712 and 715 of the SGX-ST Listing Manual.

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

On behalf of the Directors

....
JOHN GRØNBECH

....
LIM YEOW HUA @ LIM YOU QIN

Dated: 15 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAUTICAWT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NauticAWT 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 2019, 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 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 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 of the financial position of the Company as at 31 December 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial statements, which indicates that as at 31 December 2019, the Group's current liabilities exceeded its current assets by US$342,821 (2018 - US$4,624,661) and the Group recorded a loss of US$213,942 (2018 - US$4,983,375) for the financial year then ended. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the Key Audit Matter
<u>Revenue recognition</u>	
The Group offers engineering and contracting services for field exploration, field development and field refurbishments including design life extensions and production enhancement for offshore and marine infrastructures. The duration of these projects may range from short-term to mid-term and some of the projects may cross over the financial year reporting period end (Notes 8 and 21). Due to the nature and timing of the engineering services rendered by the Group, the Group has entered into fixed price contracts with customers for the provision of engineering design works, installation services (including mobilisation of equipment), engineering labour hours or delivery of materials. Subsequent changes to original contracts are supported by variation orders agreed with and acknowledged by customers. Contract revenue is recognised based on the stage of completion of the contract, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group becomes entitled to invoice customers for work performed based on achieving a series of performance related milestones. The stage of completion of the contracts are dependent upon the following key estimates or judgement areas: • total budgeted project costs, including total anticipated costs to complete the projects for projects outstanding at the end of the reporting period; • completeness of cost incurred for the projects to date; • changes to the budgeted costs as a result of variation orders with customers.	We evaluated the appropriateness of management's controls over the review and determination of the revenue to be recognised and the consequential contract assets. We agreed total contracted revenue to the original signed customer contracts and approved variation orders. We assessed the basis of revenue recognition for the Group's significant contracts and corresponding stage of completion by examining the assumptions behind estimated costs to complete, challenging the reasonableness of these in light of supporting evidence. We recomputed the stage of completion assessed by management based on the actual costs incurred for project life over total budgeted costs. We tested the actual cost incurred by agreeing to supplier invoices, engineer timesheets acknowledged by customers and other documentation and performed cut-off testing for project costs. The disclosure of the above significant estimates is provided in Note 2(d) to the financial statements, and further information related to the revenue are provided in Notes 21 and 34, respectively, to the financial statements.

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets The property, plant and equipment ("PPE"), right-of-use assets and intangible assets are quantitatively significant items on the consolidated statement of financial position with a carrying amount as at 31 December 2019 of US$5,361,325 (2018 – US$7,299,905), US$117,345 (2018 – US$Nil) and US$1,124,332 (2018 – US$1,109,606), respectively (Note 3, Note 4 and Note 5). The PPE primarily comprise of freehold land and building, and other equipment and machinery that supports the Group's operations. The right-of-use assets arise from lease of office premises. The intangible assets mainly pertain to capitalisation of costs for the development of proprietary material. The Group has recorded a loss of US$213,942 for the year ended 31 December 2019. Management is required to carry out an impairment assessment of PPE, right-of-use assets and intangible assets where there are indicators of impairment. Where there are indicators of impairment, significant judgement and estimation is required in determining the recoverable amount of these PPE, right-of-use assets and intangible assets. The recoverable amount is the higher of fair value less cost to sell and value-in-use ("**VIU**"). The impairment assessment involved significant judgement and estimates such as growth rates, gross profit margin and discount rates to determine the VIU, which is higher than the fair value less cost to sell.	We evaluated the appropriateness of management's controls over the assessment of impairment of PPE, right-of-use assets and intangible assets. Where there are indicators of impairment, we assessed and evaluated the estimation of future cash flows, and challenged management's underlying assumptions, such as growth rates, gross profit margin and discount rates used in estimating and discounting the future cash flow projections by benchmarking against historical data/trend, market outlook and our knowledge of the business operations. We performed a comparison of the estimation of future cash flow projections in the previous year to the actual cash flow achieved to support the reliability and reasonableness of management's assumptions and estimates used in the future cash flow projections in the prior year. The disclosure of the above significant estimates is provided in Note 2(d) to the financial statements, and further information related to the PPE, right-of-use assets and intangible assets are provided in Notes 3, 4 and 5, respectively, to the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NAUTICAWT LIMITED

Other Information

Management is responsible for the other information. The other information comprises the Directors' statement 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 is 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 the directors 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 and the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company'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 NAUTICAWT LIMITED

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 and the Company'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 and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NAUTICAWT LIMITED

Other matter

The financial statements for the year ended 31 December 2018 were audited by another firm of auditors whose report dated 12 April 2019 expressed an unmodified opinion on those financial statements.

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 Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
15 April 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		The Group		The Company	
		31 December	31 December	**31 December**	31 December
		2019	2018	**2019**	2018
	Note	**US$**	US$	**US$**	US$
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**5,361,325**	7,299,905	-	630,592
Right-of-use assets	4	**117,345**	-	-	-
Intangible assets	5	**1,124,332**	1,109,606	-	1,060,970
Investment in subsidiaries	6	**-**	-	-	546,423
Other receivables	10	**-**	-	-	2,867,936
		6,603,002	8,409,511	**-**	5,105,921
Current Assets					
Inventories	7	**260,336**	556,127	**-**	-
Contract assets	8	**50,034**	479,755	**-**	-
Trade receivables	9	**750,019**	1,530,842	**-**	9,849,410
Other receivables	10	**1,764,506**	903,574	**749,063**	265,287
Cash and bank balances	11	**3,201,539**	38,624	**2,577,935**	1,317
		6,026,434	3,508,922	**3,326,998**	10,116,014
Assets classified as held-for-sale	12	**-**	4,877	**-**	-
		6,026,434	3,513,799	**3,326,998**	10,116,014
Total Assets		**12,629,436**	11,923,310	**3,326,998**	15,221,935
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	13	**12,075,892**	7,733,885	**12,075,892**	7,733,885
Other capital reserve	13.1	**2,275,020**	1,166,251	**2,275,020**	1,166,251
Share options reserve	13.2	**108,639**	108,639	**108,639**	108,639
Foreign currency translation reserve	13.3	**144,329**	45,963	**-**	-
Accumulated losses		**(12,391,437)**	(12,177,495)	**(11,982,695)**	(13,965,866)
Equity attributable to owners of the Company		**2,212,443**	(3,122,757)	**2,476,856**	(4,957,091)
Total Equity		**2,212,443**	(3,122,757)	**2,476,856**	(4,957,091)
Non-Current Liabilities					
Bank loans and advances	15	**2,992,451**	3,149,748	**-**	-
Lease liabilities	16	**1,437**	-	**-**	-
Loan from directors	29	**-**	624,459	**-**	624,459
Convertible notes and loans	17	**-**	2,639,143	**-**	2,639,143
Other payables	19	**1,053,850**	494,257	**-**	494,257
		4,047,738	6,907,607	**-**	3,757,859
Current Liabilities					
Trade payables	18	**870,600**	1,136,829	**-**	-
Other payables	19	**4,346,261**	5,456,053	**850,142**	15,929,959
Contract liabilities	8	**69,871**	-	**-**	-
Deferred government grant received		**355,130**	355,130	**-**	355,130
Liabilities for trade bills discounted with recourse	20	**26,055**	137,272	**-**	-
Bank loans and advances	15	**582,229**	697,956	**-**	-
Loan from directors	29	**-**	136,078	**-**	136,078
Lease liabilities	16	**119,109**	-	**-**	-
		6,369,255	7,919,318	**850,142**	16,421,167
Liabilities directly associated with assets classified as held-for-sale	12	**-**	219,142	**-**	-
Total current liabilities		**6,369,255**	8,138,460	**850,142**	16,421,167
Total Liabilities		**10,416,993**	15,046,067	**850,142**	20,179,026
Total Equity and Liabilities		**12,629,436**	11,923,310	**3,326,998**	15,221,935

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 2019

	Note	**Year ended 31 December 2019 US$**	Year ended 31 December 2018 US$
Continuing operations			
Revenue	21	**6,168,542**	7,565,952
Cost of sales		**(3,833,007)**	(3,761,120)
Gross profit		**2,335,535**	3,804,832
Distribution expenses		**(438,995)**	(550,412)
Administrative expenses		**(3,783,841)**	(4,979,482)
Other income	22	**2,292,095**	40,844
Finance costs	23	**(561,553)**	(555,600)
Loss before tax		**(156,759)**	(2,239,818)
Taxation	24	**-**	45,434
Loss for the year from continuing operations		**(156,759)**	(2,194,384)
Discontinued operations			
Loss for the year from discontinued operations	25	**(57,183)**	(2,788,991)
Loss for the year	26	**(213,942)**	(4,983,375)
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations (nil tax)		**98,366**	138,441
Total other comprehensive income for the year		**98,366**	138,441
Total comprehensive loss for the year		**(115,576)**	(4,844,934)
Loss attributable to:			
Owners of the company		**(213,942)**	(4,983,375)
Total comprehensive loss attributable to:			
Owners of the company		**(115,576)**	(4,844,934)
Loss per share	27		
From continuing and discontinued operations:			
Basic (cents)		**(0.09)**	(2.39)
Diluted (cents)		**(0.09)**	(2.39)
From continuing operations:			
Basic (cents)		**(0.07)**	(1.05)
Diluted (cents)		**(0.07)**	(1.05)

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 2019

The Group	Share capital US$	Other capital reserve US$	Share options reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total equity US$
At 1 January 2018	7,248,183	723,125	108,639	(92,478)	(7,194,120)	793,349
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(4,983,375)	(4,983,375)
Other comprehensive income for the year	-	-	-	138,441	-	138,441
	-	-	-	138,441	(4,983,375)	(4,844,934)
Transaction with owners recognised directly in equity						
Issuance of shares pursuant to:						
NauticAWT PSP (Note 13)	485,702	-	-	-	-	485,702
Issuance of convertible loans (Note 17)	-	443,126	-	-	-	443,126
	485,702	443,126	-	-	-	928,828
Balance At 31 December 2018	**7,733,885**	**1,166,251**	**108,639**	**45,963**	**(12,177,495)**	**(3,122,757)**
Total comprehensive loss for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(213,942)**	**(213,942)**
Other comprehensive income for the year	**-**	**-**	**-**	**98,366**	**-**	**98,366**
	-	**-**	**-**	**98,366**	**(213,942)**	**(115,576)**
Transaction with owners recognised directly in equity						
Issuance of shares pursuant to:						
- Debt restructuring (Note 13)	**1,371,908**	**1,556,773**	**-**	**-**	**-**	**2,928,681**
- 2019 placement (Note 13)	**3,249,097**	**-**	**-**	**-**	**-**	**3,249,097**
- Share issuance expenses (Note 13)	**(278,998)**	**-**	**-**	**-**	**-**	**(278,998)**
Conversion of convertible bonds (Note 17)	**-**	**(448,004)**	**-**	**-**	**-**	**(448,004)**
	4,342,007	**1,108,769**	**-**	**-**	**-**	**5,450,776**
Balance At 31 December 2019	**12,075,892**	**2,275,020**	**108,639**	**144,329**	**(12,391,437)**	**2,212,443**

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 2019

	Note	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$
Cash Flows from Operating Activities			
Net loss before taxation	A	**(213,942)**	(5,028,809)
Adjustments for:			
Depreciation of property, plant and equipment	3	**675,441**	731,226
Depreciation of right-of-use assets	4	**120,438**	-
Amortisation of intangible assets	5	**(987)**	30,193
Gain on disposal from discontinued operations	12,22	**(214,572)**	-
Loss on impairment of assets held for sale		**-**	2,718,338
Impairment loss on of property, plant and equipment	3	**991,403**	-
Write off of property, plant and equipment		**-**	26,479
Loss on disposal of property, plant and equipment	26	**63,872**	182,426
Interest expense		**566,346**	623,213
Interest income		**-**	(17,163)
Gain on debt restructuring share issued	22	**(1,954,416)**	-
Finance income on non-current other payables initially measured at fair value	22	**(91,023)**	-
NauticAWT PSP expense		**-**	485,702
Operating loss before working capital changes		**(57,440)**	(248,395)
Change in inventories		**295,792**	(197,632)
Change in contract assets		**429,721**	(141,057)
Change in trade receivables		**780,823**	251,148
Change in other receivables		**(856,548)**	247,358
Change in trade payables		**72,149**	(373,889)
Change in other payables		**374,642**	677,161
Change in contract liabilities		**69,871**	-
Change in trade bills discounted with recourse		**(15,012)**	(76,782)
Cash generated from operations		**1,093,998**	137,912
Income taxes (paid)/refund		**(3,799)**	87,138
Interest paid		**(314,571)**	(379,627)
Net cash generated from/(used in) operating activities		**775,628**	(154,577)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	B	**(2,127)**	(511,146)
Acquisition of intangible asset	C	**(7,519)**	(224,266)
Proceeds from disposal of property, plant and equipment		**6,709**	32,132
Net cash used in investing activities		**(2,937)**	(703,280)
Cash Flows from Financing Activities			
Loan from director		**131,121**	72,701
Repayment of loan from directors		**(102,674)**	-
Receipt of loan from third parties		**100,105**	-
Repayment of loan from third parties		**(282,166)**	-
(Placement)/Release of restricted cash		**(564,014)**	74,630
Repayment of advances to bank		**-**	(79,878)
Principal payment of lease liabilities		**(126,859)**	-
Repayments of bank loans		**(293,161)**	(1,288,039)
Issuance of ordinary shares, net of expenses	D	**2,970,099**	-
Issuance of convertible notes		**-**	1,900,000
Net cash generated from financing activities		**1,832,451**	679,414
Net increase/(decrease) in cash and cash equivalents		**2,605,142**	(178,443)
Cash and cash equivalents at beginning of year		**(323,831)**	(139,495)
Effects of currency translation on cash and cash equivalents		**6,778**	(5,893)
Cash and cash equivalents at end of year	11	**2,288,089**	(323,831)

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 2019

Notes

(A) The amount reflected as loss before tax in the consolidated statement of cash flows Is derived from the aggregate of loss before tax from discontinued operations of US$57,183 (2018 - US$2,788,991) and loss before tax from continuing operations of US$156,759 (2018 - US$2,239,818).

(B) The Group acquired property, plant and equipment at an aggregate cost of US$36,737 (2018 - US$188,534) and cash payment of US$2,127 (2018 - US$511,146) were paid during the year. As at 31 December 2019, US$45,204 (2018 - US$154,701) remains unpaid and was recorded under “other payables”.

(C) The Group capitalised intangible assets at an aggregate cost of US$13,739 (2018 - US$458,928) and cash payment of US$7,519 (2018 - US$224,266) were paid during the year. The remaining amounts of US$Nil (2018 - US$31,808) and US$99,671 (2018 - US$202,854) pertains to the capitalisation of depreciation charge of laboratory equipment, and supplier invoices which remains unpaid and was recorded under “other payables”.

(D) During the year ended 31 December 2019, the Company entered into a share subscription agreement with new director to allot an aggregate of 400,000,000 new ordinary shares, amounting to US$3,249,097 (S$4,500,000). The Company incurred total cost of US$278,998 related to the issuance of new shares. Refer to note 13 for further details.

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 2019

Reconciliation of liabilities arising from financing activities

The following are the disclosures of the reconciliation of liabilities arising from financing activities, excluding equity items:

	Bank loans US$	Loan from third parties US$	Loan from employees US$	Loan from directors US$	Convertible notes US$	Lease liabilities US$	Total US$
As at 1 January 2018	5,290,663	368,250	-	500,099	1,016,061	-	7,175,073
Exchange movement	(101,650)	-	-	-	-	-	(101,650)
Fair value of equity instrument	-	-	-	-	(443,126)	-	(443,126)
Issuance of convertible notes	-	-	-	-	1,950,000	-	1,950,000
Accruals	-	(7,552)	549,193	187,737	(50,000)	-	679,378
Interest expense	406,235	7,552	43,218	-	166,208	-	623,213
Interest paid	(379,627)	-	-	-	-	-	(379,627)
Proceeds from loan	-	143,125#	-	72,701	-	-	215,826
Repayment of loans	(1,367,917)	-	-	-	-	-	(1,367,917)
As at 31 December 2018	**3,847,704**	**511,375**	**592,411**	**760,537**	**2,639,143**	**-**	**8,351,170**
As at 1 January 2019	3,847,704	511,375	592,411	760,537	2,639,143	-	8,351,170
Adoption of SFRS(I) 16	-	-	-	-	-	237,783	237,783
Exchange movement	(8,411)	-	-	-	(294)	-	(8,705)
Settlement through shares	-	(90,970)	(354,797)	(685,921)	(2,872,188)	-	(4,003,876)
Debt restructuring -payable	-	(108,166)	(566,311)	-	-	-	(674,477)
Accruals	-	46,896	264,562	(103,063)	-	-	208,425
Lease payment	-	-	-	-	-	(126,859)	(126,859)
Interest expense	246,914	12,366	64,105	-	233,339	9,622	566,346
Interest paid	(314,571)	-	-	-	-	-	(314,571)
Proceeds from trade loan	96,205	-	-	-	-	-	96,205
Proceeds from loan	-	100,105	-	131,121	-	-	231,226
Repayment of loans	(293,161)	(282,166)	-	(102,674)	-	-	(678,001)
As at 31 December 2019	**3,574,680**	**189,440**	**-**	**-**	**-**	**120,546**	**3,884,666**

This amount was included within the working capital changes in other payables.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 General information

The financial statements of NauticAWT Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in the Republic of Singapore. The Company is listed on the Catalist which is a market on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The registered office and the principal place of business is located at 12 Tai Seng Link #05-01A, Singapore 534233.

The principal activity of the company is that of an engineering company providing offshore and marine engineering services and investment holding.

The principal activities of the subsidiaries are disclosed in Notes 6 to the financial statements.

2(a) Basis of preparation

Material Uncertainty Related to Going Concern
As at 31 December 2019, the Group's current liabilities exceeded its current assets by US$342,821 (2018 - US$4,624,661) and the Group recorded a loss of US$213,942 (2018 - US$4,983,375) for the financial year then ended. The Group's current liabilities of US$6,369,255 (2018 - US$7,919,318) include bank loans and advances amounting to US$582,229 (2018 - US$697,956).

The cash flow projection for the next 12 months including the offsetting of any current liabilities from the reporting date prepared by management resulted in a positive net cash balance. The ability of the Group to continue as a going concern is dependent on the generation of sufficient revenue. The directors believe that the Group will have sufficient cash resources to satisfy its working capital requirements within the next 12 months after the financial year ended 31 December 2019 to enable it to continue operations and meet its liabilities as and when they fall due. Accordingly, the Group and Company continue to adopt the going concern basis in preparing its financial statements. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

The financial statements are drawn up in accordance with the provisions of the Act and SFRS(I) including related Interpretations promulgated by the Accounting Standards Council ("ASC") and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in United States dollar which is the Company's functional currency. All financial information is presented in United States dollar, unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 January 2019, 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. The adoption of these new and revised SFRS(I) pronouncements does 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, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019

SFRS(I) 16 Leases

SFRS(I) 16 Leases supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's and Company's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected the transition to SFRS(I) 16 using the modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I)16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

b) Lessee accounting

Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for office premises, were not recognised as liabilities in the statements of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as operating lease expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the consolidated statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statements of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the consolidated statement of cash flows.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the modified retrospective approach for each lease, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis:
  - for the use of office premise, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application;
- applies SFRS(I) 1-36 Impairment of Assets to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

c) Deferred tax effects on adoption of SFRS(I) 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, the deferred tax effects for these temporary differences, either initially or over the lease term, are not recognised as it is not material.

In the other jurisdictions, where tax deductions are received in respect of the right-of-use asset (i.e. depreciation allowance) and the lease liability (i.e. deduction for finance cost) in a manner consistent with the accounting treatment, and there is no difference between the accounting and tax depreciation rates, no temporary differences arise from recognition of the right-of-use asset and lease liability.

d) Financial impact of initial application of SFRS(I) 16

The Group's weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is 5.25% to 9.45%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows:

	US$'000
Operating lease commitments disclosed at 31 December 2018	287
Short-term leases exempted from recognition	(43)
Discounting based on the weighted average incremental borrowing rate	(6)
Lease liabilities recognised on 1 January 2019	238

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/(Decrease) US$'000
Assets	
Right-of-use assets	238
Liabilities	
Lease liabilities	238

There is no impact to the opening retained earnings as of 1 January 2019.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
  - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements.

2(c) New and revised SFRS(I) in issue but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 3	Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Material	1 January 2020

Amendments to SFRS(I) 3 Definition of a Business
On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material
The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'material' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-1. In addition, the other SFRS(I) and the Conceptual Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Group is currently assessing the impact to its consolidated financial statements.

2(d) Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and assumptions used in applying accounting policies and areas involving a high degree of judgement are described below.

Significant judgements in applying accounting policies

Determination of functional currency

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

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement 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 issues 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.

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of plant and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Determination of operating segments

Management identifies the Chief Operating Decision Maker ("**CODM**") as well as their business activities (which may not necessarily earn revenue or incur expenses). Management has further determined whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the CODM. Judgement is applied by management in the allocation of resources to the operating segments.

Revenue recognition

The Group develop Ultra High-Performance Concrete and Composites ("**UHPC**") products and offer UHPC solutions and services for multiple industries including renewables industries, ports and offshore industries, civil construction industries and energy and mining industries. The duration of these projects may range from short-term to mid-term and some of the projects may cross over the financial year reporting period end.

Due to the nature and timing of the engineering services rendered by the Group, the Group has entered into fixed price contracts with customers for the provision of engineering design works, installation services (including mobilisation of equipment), engineering labour hours or delivery of materials. Subsequent changes to original contracts are supported by variation orders agreed with and acknowledged by customers.

Contract revenue is recognised based on the stage of completion of the contract, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, and when the group has enforceable rights to payment for performance completed to date. The Group becomes entitled to invoice customers based on achieving a series of performance related milestones.

At each reporting period end, management estimates the stage of completion of each contract. In determining the stage of completion of the contract, the Group relies upon the following key estimates or judgement areas:

- total anticipated costs to complete the project;
- completeness of incurred costs recognised for the project to date; and
- changes to the budgeted costs as a result of variation orders with customers.

In making its judgement, management considered the detailed criteria as set out in SFRS(I) 15 Revenue from Contracts with Customers for the recognition of revenue from rendering of services for contract revenue. For sale of goods, management assesses if the Group had transferred to the buyer the control of the goods.

Details of contract assets and revenue are disclosed in Note 8 and Note 21 to the financial statements.

Significant assumptions used and critical accounting estimates in applying accounting policies

<u>Allowance for expected credit loss (“**ECL**”) of trade and other receivables</u>
The Group and the Company apply the simplified approach and the 3-stage general approach to determine ECL respectively for trade and other receivables and non-trade amounts due from subsidiaries. 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 reasonable and supportable qualitative and quantitative 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 carrying amounts of trade and other receivables are disclosed in Notes 9 and 10, respectively.

<u>Estimation of the incremental borrowing rate (“**IBR**”)</u>
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 uses its IBR applicable to the leased 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 amounts of the Group’s right-of-use assets and lease liabilities are disclosed in Notes 4 and 16, respectively.

<u>Depreciation of property, plant and equipment, intangible assets and right-of-use assets</u>
As described in Note 2(e), the Group reviews the estimated useful lives of property, plant and equipment, intangible assets and right-of-use assets at the end of each annual reporting period. Changes in the expected level and future usage can impact the economic useful lives of these assets with consequential impact on the future depreciation charge. If depreciation on the Group’s and the Company’s property, plant and equipment increases/decreases by 10% from management’s estimates, the Group’s and the Company’s results for the year will decrease/increase by US$67,445 (2018: US$76,142) and US$5,362 (2018: US$10,467), respectively. If depreciation on the Group’s right-of-use assets increases/decreases by 10% from management’s estimates, the Group’s results for the year will decrease/increase by US$12,044.

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in Notes 3, 4 and 5, respectively, to the financial statements.

Impairment of property, plant and equipment, intangible assets and right-of-use assets
The carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets is reviewed at the end of each reporting period to determine whether there is any indication that those property, plant and equipment, intangible assets and right-of-use assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated. The carrying amount is reduced to the estimated recoverable amount, if lower.

The estimation of recoverable amount involves projection of future cash flows and the use of an appropriate discount rate to discount the projected cash flows to net present value. These projections and discount rates are significant accounting estimates which can cause significant change in the carrying amount in the future should the estimates change. The Group has experienced the effects of challenging economic conditions in the oil and gas industry. Management has made significant estimates on the probability of the economic conditions improving in their projected cash flows. Any unfavourable change in these estimates could result in potential impairment charges to be recognised on the assets held by the Group.

A decrease of 5% (2018 - 5%) in the value-in-use of the Group's property, plant and equipment would have decreased the Group's profit by US$268,066 (2018 - US$364,995). A decrease of 5% (2018 - 5%) in the value-in-use of the Group's intangible assets would have decreased the Group's profit by US$56,217 (2018 - US$55,480). and a decrease of 5% (2018 - Nil) in the value-in-use of the Group's right-of-use assets would have decreased the Group's profit by US$5,867 (2018 - US$Nil).

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in Notes 3, 4 and 5 to the financial statements.

Valuation of inventories (Note 7)
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.

Impairment of investments in subsidiaries
Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

At the reporting date, the carrying amounts of investments in subsidiaries are US$Nil (2018 - US$546,423). Management has evaluated the recoverability of the investment based on such estimates. If the present value of estimated future cash flows decreases by 10% (2018 - 10%) from management's estimates, the Company's allowance for impairment of investments in subsidiaries will increase by US$Nil (2018 - US$54,642).

The carrying amount of investment in subsidiaries is disclosed in Note 6 to the financial statements.

2(e) Summary of significant accounting policies

Consolidation
(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and investees (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company or its subsidiary:

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

The Company or its subsidiary 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 Company or its subsidiary 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 Company or its subsidiary considers all relevant facts and circumstances in assessing whether or not the Company's or its subsidiary's voting rights in an investee are sufficient to give it power, including:

- size of the Company's or its subsidiary's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company or its subsidiary, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances which indicate that the Company or its subsidiary 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.

Consolidation of a subsidiary begins when the Company or its subsidiary obtains control over the subsidiary or investee and ceases when the Company or its subsidiary loses control of the subsidiary or investee. Specifically, income and expenses of a subsidiary or an investee acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries and investees are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries or investees to bring their accounting policies in line with the Group's accounting policies.

<u>(ii) Changes in the Group's ownership interests in existing subsidiaries</u>
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 the owners of the Company.

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 interests. 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 SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date on which the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date; and
- disposal groups that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Intangible assets

Intangible assets acquired separately
Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Amortisation is charged so as to write off the cost over their estimated useful lives, using the straight- line method, on the following bases:

Proprietary material development information	5 to 10 years
Trademark	10 years

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Goodwill
Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising from acquisition of associates and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, an associate or a joint venture, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the entity or the relevant cash generating unit.

Investment in subsidiaries
Subsidiaries are entities controlled by the Company. In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

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

Freehold building	50 years
Machinery	5 years to 10 years
Computer equipment	3 years
Administrative equipment	3 years to 10 years
Laboratory equipment	5 years to 10 years
Motor vehicles	10 years
Leased assets	1 year to 10 years

No depreciation is charged on freehold land.

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 Company and the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial period 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 amount of the asset and is recognised in profit or loss.

For acquisitions and disposals during the financial period, 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 estimate.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

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

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, and the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policies in this section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss assessment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through the amortisation process.

The Group's financial assets at amortised cost include trade and other receivables and contract assets, excluding prepayments.

Fair value through other comprehensive income (debt instruments)
Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The Group and the Company do not have financial assets at FVOCI (debt instruments).

Financial assets designated at fair value through OCI (equity instruments)
The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by-instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company do not have financial assets at FVOCI (equity instruments).

Financial assets at fair value through profit and loss
Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments, and listed equity investment which the Company and the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity instruments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

The Group and the Company do not have financial assets at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instrument assets carried at amortised cost. 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-months ECL**"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses. 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.

The Group considers a financial asset in default when contractual payments are 90 days 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.

<u>Credit-impaired financial assets</u>
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

<u>Write-off policy</u>
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings), or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement
All financial liabilities are recognised initially at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's and the Group's financial liabilities include trade and other payables, bank loans and advances, loans from directors, lease liabilities, convertible notes and loans, excluding contract liabilities and government grant received.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss when the changes arise.

The Group and the Company do not have any financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost
After 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. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Borrowings
Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed after the reporting period and before the authorisation of the financial statements for issue not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Compound instruments
The component parts of compound instruments (convertible notes and loans) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

(c) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value.

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 capital reserve
The other capital reserve represents:

(i) Share conversion reserve as a result of the equity component of convertible debt instruments; and
(ii) Other capital reserve which is the excess over the share capital for the conversion of convertible debt instrument in prior years, fair value of convertible notes and acquisition of subsidiary.

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories
Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventory, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 cost necessary to make the sale.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company and the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company and the Group performs under the contract.

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee 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.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantee;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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 trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

(a) Lease liability
The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use asset
The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Office premises 2 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Short term leases and leases of low-value assets
The Company and the Group have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Company and the Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases (before 1 January 2019)

The Group as lessee

(a) Operating lease
Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

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

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

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

Income taxes
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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 Company and the Group if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.

(b) An entity is related to the Company and the Group if any of the following conditions applies:

- (i) the entity and the Company 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (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.

Extinguishing financial liabilities with equity instruments
When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, the equity instruments issued shall be measured at their fair value, unless that fair value cannot be reliably measured. If the fair value of the equity instruments issued cannot be reliably measured, then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability extinguished and the consideration paid shall be recognised in profit or loss, unless an equity instrument is extinguished in which case the gain will be recorded in equity.

Impairment of non-financial assets
The carrying amounts of the Group's and the 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.

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. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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

An impairment loss, except for goodwill, 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 under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

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.

Employee benefits
Short-term employee benefits
Short-term benefit obligations, including accumulated compensated absences, are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonuses 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.

Retirement benefits under defined benefits plan
Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based payments

The group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 14. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Provisions

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

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

Revenue recognition

The Group recognises revenue from the following sources:

- Sale of goods
- Rendering of services
- Interest income
- Dividend income
- Licensing income

Revenue is measured based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

<u>Rendering of services</u>

The Group offers engineering services and contracting solutions for field exploration, field development and field refurbishments including design life extensions and production enhancement for ageing and mature oil and gas fields. Revenue from these offshore engineering and consultancy projects undertaken is recognised based on the stage of completion of the contract, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The Group becomes entitled to invoice customers for the work performed based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in offshore engineering and consultancy projects with customers as the period between the recognition of revenue under the cost–to–cost method and the milestone payment is always less than one year.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Licensing income
Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Licensing income determined on a time basis are recognised on a straight-line basis over the period of the agreement. Licensing arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Government grants
Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government grant received in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing cost
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Functional currency
Items included in the financial information of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial information of the Company and the Group are presented in United States dollars, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

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

Those currency translation differences are recognised in the currency translation reserve in the consolidated financial information and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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

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 translations.

Group entities

The results and financial position of all the entities within the Group 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 reporting period;
(ii) Income and expenses are translated at average exchange; and
(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO"), who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 33 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

3 Property, plant and equipment

The Group	Machinery US$	Computer equipment US$	Administrative equipment US$	Laboratory equipment US$	Motor vehicles US$	Freehold land US$	Building US$	Total US$
Cost								
At 1 January 2018	5,594,429	110,645	519,621	614,683	51,409	1,301,150	3,268,227	11,460,164
Additions	16,958	147,581	5,701	5,584	12,710	-	-	188,534
Write-off	-	(790)	(43,301)	(46,942)	-	-	-	(91,033)
Disposal	(253,648)	-	-	-	(51,523)	-	-	(305,171)
Exchange differences	(26,900)	(729)	(4,707)	(1,416)	114	(20,670)	(51,919)	(106,227)
At 31 December 2018	**5,330,839**	**256,707**	**477,314**	**571,909**	**12,710**	**1,280,480**	**3,216,308**	**11,146,267**
Additions	**35,550**	**1,187**	**-**	**-**	**-**	**-**	**-**	**36,737**
Write-off		**(146,791)**	**-**	**-**	**-**	**-**	**-**	**(146,791)**
Disposal	**(99,426)**	**-**	**-**	**-**	**-**	**-**	**-**	**(99,426)**
Exchange differences	**(25,584)**	**(368)**	**(3,215)**	**(1,814)**	**500**	**(25,439)**	**(63,900)**	**(119,820)**
At 31 December 2019	**5,241,379**	**110,735**	**474,099**	**570,095**	**13,210**	**1,255,041**	**3,152,408**	**10,816,967**
Accumulated depreciation								
At 1 January 2018	2,616,535	100,277	270,607	178,093	11,445	-	81,706	3,258,663
Depreciation	535,968	7,193	79,676	36,512	5,847	-	66,030	731,226
Depreciation capitalised to intangible assets (Note 5)	-	-	-	31,808	-	-	-	31,808
Write off	-	-	(41,152)	(23,490)	-	-	-	(64,642)
Disposal	(74,051)	-	-	-	(16,557)	-	-	(90,608)
Exchange differences	(11,746)	(653)	(3,373)	(1,317)	6	-	(3,002)	(20,085)
At 31 December 2018	**3,066,706**	**106,817**	**305,758**	**221,606**	**741**	**-**	**144,734**	**3,846,362**
Depreciation	**496,647**	**2,742**	**56,487**	**54,049**	**1,296**	**-**	**64,220**	**675,441**
Disposal	**(28,844)**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,844)**
Exchange differences	**(14,700)**	**(364)**	**(2,984)**	**(1,611)**	**55**	**-**	**(4,047)**	**(23,651)**
At 31 December 2019	**3,519,809**	**109,195**	**359,261**	**274,044**	**2,092**	**-**	**204,907**	**4,469,308**

3 Property, plant and equipment (Cont'd)

The Group	Machinery US$	Computer equipment US$	Administrative equipment US$	Laboratory equipment US$	Motor vehicles US$	Freehold land US$	Building US$	Total US$
Impairment								
At 1 January 2018 and 31 December 2018	-	-	-	-	-	-	-	-
Additions	**991,403**	-	-	-	-	-	-	**991,403**
Exchange differences	**(5,069)**	-	-	-	-	-	-	**(5,069)**
At 31 December 2019	**986,334**	**-**	**-**	**-**	**-**	**-**	**-**	**986,334**
Net book value								
At 31 December 2019	**735,236**	**1,540**	**114,838**	**296,051**	**11,118**	**1,255,041**	**2,947,501**	**5,361,325**
At 31 December 2018	2,264,133	149,890	171,556	350,303	11,969	1,280,480	3,071,574	7,299,905

3 Property, plant and equipment (Cont'd)

The Company	Machinery	Computer equipment	Administrative equipment	Laboratory equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2018	865	50,341	293,918	497,576	842,700
Additions	-	146,791	3,551	1,996	152,338
Written off	-	-	-	(46,942)	(46,942)
At 31 December 2018	**865**	**197,132**	**297,469**	**452,630**	**948,096**
Written off		**(146,791)**	**-**	**-**	**(146,791)**
Disposal	**(865)**	**(50,341)**	**(297,469)**	**(452,630)**	**(801,305)**
At 31 December 2019	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation					
At 1 January 2018	520	43,138	101,596	89,459	234,713
Depreciation	172	5,039	46,492	22,770	74,473
Depreciation capitalised to intangible assets (Note 5)	-	-	-	31,808	31,808
Written off	-	-	-	(23,490)	(23,490)
At 31 December 2018	**692**	**48,177**	**148,088**	**120,547**	**317,504**
Depreciation	**86**	**1,104**	**22,051**	**37,789**	**61,030**
Disposal	**(778)**	**(49,281)**	**(170,139)**	**(158,336)**	**(378,534)**
At 31 December 2019	**-**	**-**	**-**	**-**	**-**
Net book value					
At 31 December 2019	**-**	**-**	**-**	**-**	**-**
At 31 December 2018	173	148,955	149,381	332,083	630,592

Reconciliation of depreciation:

2019	Cost of sales	Administrative cost	Total
	US$	US$	US$
Depreciation	**560,867**	**114,574**	**675,441**

2018	Cost of sales	Administrative cost	Total
	US$	US$	US$
Depreciation	601,998	129,228	731,226

During the year, the Company sold total value of plant and equipment amounting to US$422,771 (2018 – US$Nil) for US$422,771 to its wholly owned subsidiary - Nautec Group Pte. Ltd.

3 Property, plant and equipment (Cont'd)

All property, plant and equipment of two subsidiaries (2018 - two), amounting to US$4,547,244 (2018 - US$5,209,011) are pledged as security for banking facilities disclosed in Note 15 to the financial statements.

There were impairment indicators for the Group's property, plant and equipment. During the year, the Group carried out a review of the recoverable amount of certain property, plant and equipment. Refer to Note 6 for the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets.

4 Right-of-use assets

The Group	Office Premises
	US$
Cost	
Adoption of SFRS(I) 16:	
At 1 January 2019	237,783
At 31 December 2019	237,783
Accumulated depreciation	
At 1 January 2019	-
Depreciation expense	120,438
At 31 December 2019	120,438
Net book value	
At 31 December 2019	117,345

Information about the Group's leasing activities are disclosed in Note 28.

There were impairment indicators for the Group's right of use assets. Refer to Note 6 for the impairment assessment on property, plant and equipment, right-of-use assets and intangible assets.

5 Intangible assets

The Group	Goodwill	Material development	Trademarks	Total
	US$	US$	US$	US$
Cost				
At 1 January 2018	317,425	714,183	8,246	1,039,854
Additions	-	458,928	-	458,928
At 31 December 2018	**317,425**	**1,173,111**	**8,246**	**1,498,782**
Additions	**-**	**13,739**	**-**	**13,739**
At 31 December 2019	**317,425**	**1,186,850**	**8,246**	**1,512,521**

5 Intangible assets (Cont'd)

The Group	Goodwill	Material development	Trademarks	Total
	US$	US$	US$	US$
Accumulated amortisation				
At 1 January 2018	-	38,504	3,054	41,558
Amortisation	-	29,202	991	30,193
At 31 December 2018	**-**	**67,706**	**4,045**	**71,751**
Amortisation	**-**	**(1,976)**	**989**	**(987)**
At 31 December 2019	**-**	**65,730**	**5,034**	**70,764**
Impairment				
At 1 January 2018, 31 December 2018 and 31 December 2019	(317,425)	-	-	(317,425)
Net book value				
At 31 December 2019	**-**	**1,121,120**	**3,212**	**1,124,332**
At 31 December 2018	-	1,105,405	4,201	1,109,606

The Company	Material development	Trademarks	Total
	US$	US$	US$
Cost			
At 1 January 2018	665,547	8,246	673,793
Additions	458,928	-	458,928
At 31 December 2018	**1,124,475**	**8,246**	**1,132,721**
Disposal	**(1,124,475)**	**(8,246)**	**(1,132,721)**
At 31 December 2019	**-**	**-**	**-**
Accumulated amortisation			
At 1 January 2018	38,504	3,054	41,558
Amortisation	29,202	991	30,193
At 31 December 2018	**67,706**	**4,045**	**71,751**
Amortisation	**(7,903)**	**494**	**(7,409)**
Disposal	**(59,803)**	**(4,539)**	**(63,342)**
At 31 December 2019	**-**	**-**	**-**
Net book value			
At 31 December 2019	**-**	**-**	**-**
At 31 December 2018	1,056,769	4,201	1,060,970

5 Intangible assets (Cont'd)

Included in addition of material development are costs for the development stage of proprietary material development information used in a type of material amounting to US$Nil (2018 - US$380,505). US$Nil (2018 - US$31,808) pertains to capitalisation of the depreciation of laboratory equipment used in the development process. Amortisation has yet to commence as the project is still ongoing as at 31 December 2019. The remaining costs of US$Nil (2018 - US$78,423) pertains to the certification costs capitalised during the year.

During the year, the Company sold all its intangible assets amounting to US$1,069,379 (2018 – US$Nil) for US$1,069,379 to its wholly owned subsidiary - Nautec Group Pte. Ltd.

There were impairment indicators for the Group's intangible assets. Refer to Note 6 for the impairment assessment on property, plant and equipment right-of-use assets and intangible assets.

6 Investment in subsidiaries

The Company	**2019** **US$**	2018 US$
Unquoted equity shares, at cost		
At beginning of the year	**546,423**	546,423
Additions	**2,661,708**	-
Disposal	**(536,423)**	-
At end of the year	**2,671,708**	546,423
Impairment loss		
At beginning of the year	**-**	-
Impairment losses recognised	**2,672,709**	-
Disposal	**(1,001)**	
At end of the year	**2,671,708**	-
Carrying Amount	**-**	546,423

Impairment tests for investments in subsidiaries, property, plant and equipment, right-of-use assets and intangible assets

For the financial year ended 31 December 2019, management of the Group had carried out an impairment assessment over the investments in subsidiaries, property, plant and equipment, right-of-use assets and intangible assets and identified the following significant cash generating units ("**CGUs**"). These were considered to have indications of possible impairment issues at 31 December 2019 and 2018 as they were in a loss-making position for the past few years.

Impairment of property, plant and equipment. right-of-use assets and intangible assets

As at 31 December 2019, the carrying amounts of the Group's and the Company's property, plant and equipment amounted to US$5,361,325 (2018 - US$7,299,905) and US$Nil (2018 - US$630,592), respectively. As at 31 December 2019, the carrying amount of the Group's right-of-use assets amounted to US$117,345 (2018 - US$Nil). As at 31 December 2019, the carrying amount of the Group's and the Company's intangible assets amounted to US$1,124,332 (2018 - US$1,109,606) and US$Nil (2018 - US$1,060,970), respectively.

6 Investment in subsidiaries (Cont'd)

For the financial year ended 31 December 2019 and 2018, the Group has identified that there are triggers of impairment for

- The Singapore and overseas subsidiaries as they were in a net deficit position.
- The Company as it was having accumulated losses and incurred losses for the year.

The recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets was based on the higher of fair value less costs to sell and value-in-use ("**VIU**").

In the financial year ended 31 December 2019, management had assessed the recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets based on discounted cashflows, representing the VIU, which is the higher of fair value less costs to sell and VIU. The VIU calculation is a discounted cash flow model using cash flow projections based on approved financial budget prepared by management covering a five-year period without terminal value. The discount rate used in measuring value-in-use was 8.4% (2018 - 13%).

Management had compared the carrying value of the property, plant and equipment, right-of-use assets and intangible assets with the recoverable amounts and had determined an impairment loss of US$991,403 (2018 - US$Nil) to be recognised in the profit or loss for the financial year ended 31 December 2019.

<u>Impairment of cost of investment in subsidiaries</u>
As at 31 December 2019, the carrying amount of the investment in subsidiaries amounted to US$Nil (2018 - US$546,423).

The recoverable amount of the subsidiaries was also estimated by management based on the higher of fair value less cost to sell and value-in-use. The fair value less cost to sell was determined based on the financials of the subsidiaries which comprised mainly of cash balances, trade and other receivables and trade and other payables which were current and approximated fair value at year end. Based on the impairment testing, an impairment loss of US$2,672,709 relating to the cost of investment in the subsidiaries is recognised under general and administrative expenses in profit or loss of the Company for the financial year ended 31 December 2019, being the shortfall between the carrying amount and the recoverable amount. The fair value is based on Level 3 of the fair value hierarchy.

6 Investment in subsidiaries (Cont'd)

Details of the subsidiaries are set out below:

Name	Country of incorporation/ principal place of business	Effective equity interest 2019 %	2018 %	Principal activities
Held by the Company				
Nautec Group Pte. Ltd. (1)	Singapore	**100**	-	Investment Holding
NauticAWT Energy Pte. Ltd. (14)	Singapore	**-**	100	Engineering consultancy
NauticAWT (Mauritius) Pte. Ltd. (15)	Mauritius	**-**	100	Dormant
NauticAWT Engineering Pte. Ltd. (11)	Singapore	**- (11)**	- (11)	Engineering consultancy
NauticAWT Engenharia E Consultoria Ltda. (7)(13)	Brazil	**100**	100	Dormant
Held by Nautec Group Pte. Ltd.				
Nautec Pte. Ltd. (1)	Singapore	**100**	100	Offshore engineering
Nautec Materials Sdn. Bhd. (2)	Malaysia	**100**	100	Engineering and manufacturing works
Nautic India Private Limited (3)	India	**100 (4)**	100 (4)	Offshore engineering
Nautic (B) Sdn. Bhd. (5)	Brunei	**- (6)**	- (6)	Offshore engineering
Nautic Australia Pty Ltd (7)(10)	Australia	**100**	100	Offshore engineering
Held by Nautec Pte. Ltd.				
Nautic Offshore Mexico S.A de C.V. (7)(10)	Mexico	**100 (8)**	100 (8)	Offshore engineering
Nautic Middle East DMCC (9)	United Arab Emirates	**100**	100	Offshore engineering
Held by NauticAWT Energy Pte. Ltd.				
Nautic (P.A) Pte. Ltd. (12)	Singapore	**-**	100	Dormant

6 Investment in subsidiaries (Cont'd)

(1) Audited by Foo Kon Tan LLP, Singapore.

(2) Audited by YYC & Co PLT, Malaysia.

(3) Audited by Parag K. Shah & Co. Chartered Accountant, India.

(4) The remaining share is held by an employee for the Company.

(5) Audited by Lee Corporatehouse Associates, Brunei.

(6) Nautic (B) Sdn. Bhd. is a locally owned entity but controlled by Nautec Group Pte. Ltd. (2018 - NauticAWT Limited) through a franchising and management agreement. Based on the management agreement, the company has consolidated Nautic (B) Sdn. Bhd. in accordance with the definition of control under SFRS(I) 10 Consolidated Financial Statements.

(7) These subsidiaries are exempt from audit.

(8) The remaining share is held by a director, an employee and a nominee for the Company.

(9) Audited by Talal Abu-Ghazaleh & Co. International, United Arab Emirates.

(10) Audited by Foo Kon Tan LLP , Singapore for group consolidation purposes.

(11) On November 22, 2017, NEPL has been placed under voluntarily liquidation and control over this entity was lost. Hence, the Company has deconsolidated NEPL on the date of voluntarily liquidation in accordance with the definition of control under SFRS(I) 10 Consolidated Financial Statements. The voluntarily liquidation was completed and NEPL dissolved on 12 March 2020.

(12) Nautic (P.A) Pte. Ltd. was incorporated on August 31, 2017 and struck off on 24 May 2019.

(13) NauticAWT Engenharia E Consultoria Ltda. was incorporated on March 22, 2017.

(14) NauticAWT Energy Pte. Ltd. disposal has been completed on 31 December 2019.

(15) NauticAWT (Mauritius) Pte. Ltd. has been deregistered from the Register of Companies pursuant to Section 309(1)(B) of the Companies Act 2001, Republic of Mauritius

Disposal / struck-off of entities

For the financial year ended 31 December 2019, the Company has struck-off 1 subsidiary and disposed of 1 subsidiary. These subsidiaries are consolidated until the date they are struck off and ceased to be subsidiaries of the Company. There is a gain of US$214,572 recorded at the Group level. There is no gain or loss recorded at the Company level.

Transfer of entities

For the financial year ended 31 December 2019, the Company has transferred 5 subsidiaries to its newly incorporated subsidiary. There is a loss of US$535,273 recorded at the Company level. There is no gain or loss recorded at the Group level.

7 Inventories

The Group	**2019** **US$**	2018 US$
At cost:		
Raw material	**211,953**	327,298
Work in progress	**19,459**	62,754
Finished goods	**28,924**	166,075
	260,336	556,127

The costs recognised as expense for raw materials and consumables together with changes in finished goods and work in progress in the consolidated statement of profit or loss and other comprehensive income amounted to US$1,068,466 (2018: US$1,036,334) for the financial year ended 31 December 2019.

The cost of inventories recognised as an expense includes US$127,928 in respect of write off (2018 - US$14,523) in respect of write back of obsolete inventories.

8 Contract assets and liabilities

The Group	**31 Dec 2019** **US$**	31 Dec 2018 US$	1 Jan 2018 US$
Contract assets			
- Specialised service contracts	**50,034**	479,755	338,698
Contract liabilities			
- Sales contract	**(69,871)**	-	-

Contract assets relate to fixed price specialised service contracts. The contract assets balance decreased as the Group provided lesser services ahead of the agreed payment schedules.

Contract liabilities for sales contract arises from the negotiation of prepayments.

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

As there was no historical credit loss experience by the Group, no provision for loss allowance has been made.

9 Trade receivables

	The Group		The Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Outside parties	**909,913**	6,621,157	**-**	6,688
Subsidiaries	**-**	-	**-**	14,516,200
Allowance for impairment loss	**(159,987)**	(5,090,315)	**-**	(4,673,478)
Exchange difference	**93**	-	**-**	-
	750,019	1,530,842	**-**	9,849,410

Trade receivables are non-interest bearing and are generally granted 30 days (2018 – 30 days) credit term.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group starts recognising loss allowance for all receivables over 180 days past due, and a 100% loss allowance is recognised for all receivables aged over 2 years because historical experience has indicated that these receivables are generally not recoverable.

Amounts due from subsidiary amounting to US$14,516,200 were transferred to Nautec Group Pte Ltd and set off with amounts due to subsidiary.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

The Group	Lifetime ECL - credit-impaired US$	Total US$
Balance At 1 January 2018	4,175,289	4,175,289
Allowance for impairment loss	915,026	915,026
Balance At 31 December 2018	**5,090,315**	**5,090,315**
Allowance for impairment loss	**159,987**	**159,987**
Utilisation of impairment loss	**(5,090,315)**	**(5,090,315)**
Balance At 31 December 2019	**159,987**	**159,987**

The Company	Lifetime ECL - credit-impaired US$	Total US$
Balance At 1 January 2018	568,199	568,199
Allowance for impairment loss	4,105,279	4,105,279
Balance At 31 December 2018	**4,673,478**	**4,673,478**
Reversal of impairment loss	**(4,673,478)**	**(4,673,478)**
Balance At 31 December 2019	-	**-**

10 Other receivables

	The Group		The Company	
	2019	2018	**2019**	2018
Current	**US$**	US$	**US$**	US$
Deposits	**89,895**	104,193	**-**	36,071
Amount receivable from subsidiaries (2)	**-**	-	**-**	3,206,491
Others	**115,810**	110,525	-	4,340
Allowance for impairment loss from subsidiaries	**-**	-	-	(3,197,868)
Financial assets at amortised cost	**205,705**	214,718	**-**	**49,034**
Income tax credit	**3,799**	-	**3,799**	-
Prepayments	**77,809**	53,338	**42,874**	98,529
Prepayment for investment	**682,341**	-	**682,341**	-
Withholding tax receivable	**6,558**	2,054	**-**	-
Advances	**481,918**	321,270	-	92,364
Goods and services tax receivable	**306,376**	312,194	**20,049**	25,360
Total	**1,764,506**	903,574	**749,063**	265,287
Non-current				
Loan receivable from a subsidiary (1)	**-**	-	**-**	2,867,936

(1) The loan to a subsidiary is unsecured, repayable on 1 July 2021 (2018 - 1 July 2021) and has an effective interest rate of 8.30% per annum for the year 2018 of US$2,867,936 has been transferred to offset with other payables during the year 2019.

(2) Included in the Company's amount receivable from subsidiaries is a loan to a subsidiary amounting to US$Nil (2018 - US$1,500,000) which is unsecured and has an effective interest rate of 10% per annum which was fully impaired in 2018 and the amount was written off as the subsidiary was disposed during the year 2019. The amount of US$1,706,491 has been reversed from prior year and transferred to subsidiary during the year.

(3) Included in advances is amount receivable of US$92,000 from a director through one of its subsidiaries for business travelling related work. This amount has been fully net off from expenses in the subsequent year.

Amount receivable from subsidiaries are unsecured and are repayable on demand unless otherwise stated.

The Company	Lifetime ECL - credit-impaired US$	Total US$
Balance At 1 January 2018	1,488,493	1,488,493
Allowance for impairment loss	1,709,375	1,709,375
Balance At 31 December 2018	**3,197,868**	**3,197,868**
Reversal of impairment loss	**(1,697,868)**	**(3,197,868)**
Utilisation of impairment loss	**(1,500,000)**	
Balance At 31 December 2019	-	**-**

For the purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

10 Other receivables (Cont'd)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As at 31 December 2019, the Company has recognised a loss allowance of US$Nil (2018 - US$1,709,375) for amounts due from subsidiaries as these subsidiaries continued to make losses during the year. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for deferred consideration and other receivables.

11 Cash and bank balances

	The Group		The Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Cash on hand	**1,147**	1,796	**-**	263
Cash at bank	**2,726,792**	36,828	**2,577,935**	1,054
Fixed deposits	**473,600**	-	**-**	-
Total	**3,201,539**	38,624	**2,577,935**	1,317
Restricted cash	**(564,014)**	-	**-**	-
Bank overdrafts (Note 15)	**(349,436)**	(362,455)	**-**	-
Cash and cash equivalents as shown in the statement of cash flows	**2,288,089**	(323,831)	**2,577,935**	1,317

Fixed deposits placed with banks bear interest at average effective interest of 3.1% (2018 - Nil) per annum. The fixed deposit has a maturity period of 12 months (2018 - Nil) from the end of the financial year ended 31 December 2019.

Restricted cash is pledged as a security for banking facilities as disclosed in Note 15 to the financial statements.

12 Assets classified as held-for-sale

As at 31 December 2017, the Company had been in negotiations with a third party to dispose of a wholly-owned subsidiary, NauticAWT Energy Pte Ltd ("NauticAWT Energy") which in turn holds the investment in the joint venture, NVP Georgia LLC. The assets and liabilities attributable to NauticAWT Energy, which are expected to be sold within twelve months, had been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The operations of NauticAWT Energy had been reclassified under discontinued operations and were included in the Group's Subsurface and Wells segment for segment reporting purposes. The proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss was recognised on the classification of the relevant assets as held for sale in 2017. However, the term sheet with the buyer has lapsed on 12 February 2019.

Subsequently, on 18 February 2019, management has entered into a new share sale agreement with another potential buyer, to dispose the disposal group for a total consideration of US$1. Accordingly, the carrying amount of the disposal group has been written down to its recoverable amount. This share sale transaction was approved by the shareholders of the Company on 1 April 2019 and was completed on 30 December 2019.

12 Assets classified as held-for-sale (Cont'd)

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

The Group	2019 US$	2018 US$
Investment in joint venture	**-**	-
Advances	**477**	477
Other receivables	**3,814**	4,400
Total assets classified as held for sale	**4,291**	4,877
Trade and other payables, and total for liabilities directly associated with assets classified as held for sale	**(218,864)**	(219,142)
Net liabilities of disposal group	**(214,573)**	(214,265)
Sales consideration	**1**	-
Gain on disposal from discontinued operations	**214,572**	-

13 Share capital

The Group and The Company	No. of ordinary shares (With no par value)		Amount	
	2019	2018	**2019** **US$**	2018 US$
Issued and fully paid:				
At beginning of year	**212,333,525**	190,965,893	**7,733,885**	7,248,183
Issuance for NauticAWT PSP	**-**	21,367,632	**-**	485,702
Issuance for debt restructuring	**181,852,521**	-	**1,371,908**	-
Issuance for 2019 placement	**400,000,000**	-	**3,249,097**	-
Issuance expenses	**-**	-	**(278,998)**	-
At end of year	**794,186,046**	212,333,525	**12,075,892**	7,733,885

The Company has one class of ordinary shares which have no par value, carry one vote per share and a right to dividend as and when declared by the Company.

<u>NauticAWT PSP</u>

On 21 March 2018, the Company allotted and issued 21,367,632 new ordinary shares at a rate of S$0.03 per share amounting to US$485,702, pursuant to the vestment of awards under the NauticAWT PSP. The new ordinary shares rank pari passu in all respects with the existing shares of the Company. Following the allotment and issuance of the new ordinary shares, the total number of issued shares of the Company has increased from 190,965,893 shares to 212,333,525 shares.

<u>Debt restructuring</u>

On 13 December 2019, the Company allotted and issued 181,852,521 new ordinary shares at a rate of US$0.02675 (S$0.03667) per settlement share amounting to US$4,883,097 pursuant to the settlement and release agreements dated 24 September 2019 as part of the debt restructuring undertaken by the Company. The fair value of the allotment shares amounted to US$1,371,908. The new ordinary shares rank pari passu in all respects with the existing shares of the Company. Following the allotment and issuance of the new ordinary shares, the total number of issued shares of the Company has increased from 212,333,525 shares to 394,186,046 shares.

13 Share capital (Cont'd)

2019 Placement

On 13 December 2019, the Company allotted and issued 400,000,000 new ordinary shares at a rate of S$0.01125 per subscription share amounting to US$3,249,097 pursuant to the subscription agreement entered into between the Company and placement investor on 10 July 2019. The new ordinary shares rank pari passu in all respects with the existing shares of the Company. Following the allotment and issuance of the new ordinary shares, the total number of issued shares of the Company has increased from 394,186,046 shares to 794,186,046 shares.

13.1 Other capital reserve

The movement of other capital reserve shown as followed:

The Group and the Company

	2019	2018
	US$	US$
At 1 January	**1,166,251**	723,125
Issuance of convertible loans	**-**	443,126
Gain on issuance of shares pursuant to debt restructuring	**1,556,773**	-
Conversion of convertible bonds (Note 17)	**(448,004)**	-
At 31 December	**2,275,020**	1,166,251

The other capital reserve represents:

(i) Share conversion reserve as a result of the equity component of convertible debt instruments;

(ii) Other capital reserve which is the excess over the share capital for the conversion of convertible debt instrument in prior years, fair value of convertible notes and acquisition of subsidiary; and

(iii) Gain on issuance of shares pursuant to debt restructuring in 2019.

13.2 Share options reserve

The movement of share options reserve shown as followed:

The Group and the Company

	2019	2018
	US$	US$
At 1 January	**108,639**	108,639
Recognition of share-based payment	**-**	-
At 31 December	**108,639**	108,639

13.3 Foreign currency translation reserve

The movement of foreign currency translation reserve shown as followed:

The Group and the Company

	2019	2018
	US$	US$
At 1 January	**45,963**	(92,478)
Exchange difference on translation of foreign operations	**98,366**	138,441
At 31 December	**144,329**	45,963

14 Equity-settled share-based plans

NauticAWT ESOS

Details of the share options outstanding during the year are as follows:

The Group and The Company	No. of share options		Weighted average exercise price	
	2019	2018	**2019**	2018
			US$	US$
At beginning of the year	**9,600,000**	15,300,000	**0.22**	0.22
Granted	**-**	-	**-**	-
Forfeited	**(750,000)**	(5,700,000)	**0.22**	0.22
Cancelled	**(8,850,000)**	-	**0.22**	-
At end of the year	**-**	9,600,000	**0.22**	0.22

There were no share options exercised during the year 2019 and 2018. The options outstanding at the end of last year have a weighted average remaining contractual life of 3 years in 2018. As at 31 December 2019, all share options are cancelled and extinguished as part of debt restructuring completed during the year.

The options were granted on 27 June 2016. The estimated fair value of the options granted was $2.13 cents. The fair value for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

The Group and The Company	2016
Weighted average share price	US$0.11
Weighted average exercise price	US$0.22
Expected volatility	39.2%
Expected life	5.5
Risk free rate	2.3%
Expected dividend yield	Nil

15 Bank loans and advances

	Year of Maturity	The Group		The Company	
		2019	2018	**2019**	2018
		US$	US$	**US$**	US$
Current					
Trade advances		**96,205**	-	-	-
Bank overdrafts (Note 11)		**349,436**	362,455	-	-
Bank loan 1	**2017-2019**	**-**	205,197	-	-
Bank loan 2	**2016-2033**	**136,588**	130,304	-	-
		582,229	697,956	-	-
Non-current					
Bank loan 2	**2016-2033**	**2,992,451**	3,149,748	-	-
		2,992,451	3,149,748	-	-
		3,574,680	3,847,704	-	-

15 Bank loans and advances (Cont'd)

The bank loans are secured by the following:

(a) Assignment of an insurance policy;

(b) Fixed charge over all assets of two subsidiaries (2018 - two subsidiaries);

(c) Fixed and floating charge over all assets of a subsidiary (2018 - a subsidiary);

(d) A charge over the property of a subsidiary (2018 - a subsidiary);

(e) A charge of US$564,014 (2018 - US$ Nil) over all term deposit accounts of a subsidiary (2018 - a subsidiary) (Note 11).

The following securities had been discharged during the year 2019 as the quantum of bank loan fully repaid in February 2019:

(a) A charge over the Project Account of a subsidiary; and

(b) Assignment of an offshore agreement by a subsidiary.

Trade advances

Trade advances carry different interest rates based on the currencies of the advances. The effective interest rate for the trade advances is 6.50% (2018 - Nil%) per annum.

Bank overdrafts

Bank overdrafts carry different interest rates, depending on the banks. The effective interest rate for the bank overdrafts is 8.15% (2018 - 8.40%) per annum.

Bank loan 1

The interest rate is at 5% per annum above the Singapore Interbank Offered Rate ("SIBOR"). Bank loan 1 was originally repayable in eight equal quarterly instalments, commencing from 11 July 2017 to 10 July 2019. The effective interest rate was 6.77% per annum for the year of 2018. This loan was fully repaid during the year.

For the financial years ended 31 December 2018 and 31 December 2017, the Group breached its financial covenants with a bank as the group did not fulfil the minimum tangible net worth requirements. The Group had received a waiver of the breach of loan covenants from the bank, which was effective till 31 August 2017. However, the Group did not receive any further waiver of the breach of covenants as at 31 December 2018 and 31 December 2017, and the bank has also not called upon the loans as at the date of the financial statements. Total bank loans owing to the bank amounting to US$Nil (2018-US$205,197) have been classified as current in the financial statements as they are repayable on demand due to the breach of loan covenants. The amount has been repaid on 27 February 2019.

Bank loan 2

The interest rate is at 0.5% per annum above the bank's Base Lending Rate ("BLR"). Bank loan 2 is repayable over 204 monthly instalments commencing from 1 August 2016 to 31 July 2033. The effective interest rate is 7.15% (2018 - 7.40%) per annum.

15 Bank loans and advances (Cont'd)

Carrying amounts and fair values

The fair value of non-current borrowings at the reporting date is as follows:

The Group	Carrying amount US$	Fair value US$
31 December 2019		
Bank loan and advances	**2,992,451**	**3,507,216**
31 December 2018		
Bank loan and advances	3,149,748	3,740,063

16 Leases liabilities

Group as a lessee
The Group has lease contracts for various office used for its operations. Leases of office generally have lease terms between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There is a lease contract that include extension and termination.

The Group also has certain leases of office equipment with low value or short-term. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Information regarding the Group's right-of-use assets are disclosed in Note 4.

The Group	**2019 US$**
At 1 January 2019	**237,783**
Accretion of interest	**9,622**
Payments	**(126,859)**
At 31 December 2019	**120,546**
Presented as:	
- Non-current	**1,437**
- Current	**119,109**
	120,546

The following are the amounts recognised in profit or loss:

The Group	**2019 US$**
Interest expense on lease liabilities	**9,622**
Lease expense - short-term leases	**140,242**
Lease expense - low-value leases	**6,193**
	156,057

Total cash outflow for all the leases in 2019 was US$126,859.

16 Leases liabilities (Cont'd)

Future cash outflow which are not capitalised in lease liabilities has extension option that the leases for an office contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

17 Convertible notes and loans

Convertible Notes 2017 (the "**2017 Notes**")

The US$1,000,000 convertible notes were issued on 17 October 2017 (the "**Issued Date**"), and are unsecured. The notes will mature three years from the Issued Date (the "**Maturity Date**"). The notes are convertible at the option of the note holder, at any time after the second anniversary of the Issued Date up to 14 business days after the Maturity Date. The number of shares to be converted (the "**Conversion Shares**") will be determined by dividing the principal amount of the notes, translated into Singapore dollars at the spot rate for the sale of Singapore dollars against the purchase of United States dollars on the day when the conversion right of the note holder is exercised, by the Conversion Price of S$0.15 per share.

If the notes are not converted, they will be redeemed on 17 October 2020 at par value. Interest of 10% per annum will be paid semi-annually until the settlement date.

Convertible Loans 2018 (the "**2018 Loans**")

The US$1,950,000 convertible loans were issued on 7 August 2018 and are unsecured. The loans will mature three years from the drawdown of the loans (the "**Maturity Date**"). The loans are convertible at the option of the loan holder, at any time after the Drawdown date up till the Maturity Date. The number of shares to be converted (the "**Conversion Shares**") will be determined by dividing the principal amount of the loans, translated into Singapore dollars at the spot rate for the sale of Singapore dollars against the purchase of United State dollars on the day when the conversion right of the loan holder is exercised, by the Conversion Price of US$0.02675 per share.

If the loans are not converted, they will be redeemed on 17 September 2021 at par value. Interest of 12% and 14% per annum will be paid semi-annually until the settlement date.

The net proceeds received from the issue of the convertible loans have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the group, as follows:

	2017 Notes		2018 Loans		Total	
The Group and The Company	**2019**	2018	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$	**US$**	US$
Nominal value of Convertible notes issued	**1,000,000**	1,000,000	**1,950,000**	1,950,000	**2,950,000**	2,950,000
Equity component	**-**	(4,878)	**-**	(443,126)	**-**	(448,004)
Liability component at the Issued Date	**1,000,000**	995,122	**1,950,000**	1,506,874	**2,950,000**	2,501,996
Interest payable	**137,606**	70,939	**232,880**	66,208	**370,486**	137,147
Settled by shares	**(1,137,606)**	-	**(2,182,880)**	-	**(3,320,486)**	-
Liability component at year end	**-**	1,066,061	**-**	1,573,082	**-**	2,639,143

17 Convertible notes and loans (Cont'd)

Movement in interest payable

	2017 Notes		2018 Loans		Total	
The Group and The Company	**2019**	2018	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$	**US$**	US$
Interest payable as at 1 January	**70,939**	20,939	**66,208**	-	**137,147**	20,939
Interest expense for the year (Note 23)	**66,667**	100,000	**166,672**	66,208	**233,339**	166,208
Interest paid	**-**	(50,000)	**-**	-	**-**	(50,000)
Interest payable as at 31 December	**137,606**	70,939	**232,880**	66,208	**370,486**	137,147

The interest charged for the year is calculated by applying an effective interest rate of 10.24% per annum (2018 - 10.24%) for the 2017 Notes and between 12.36% to 14.49% per annum (2018 - 12.36% to 14.49%) for the 2018 Loans to the liability component on the date the respective notes were issued.

The convertible notes and loans were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

As at 24 September 2019, the Company had entered into settlement and release agreements with each of 2017 Notes and 2018 Loans noteholders to issue and allot an aggregate of 124,119,313 shares (the "Settlement Shares") to extinguish and terminate 2017 Notes and 2018 Loans as part of the Group's Debt Restructuring. The Settlement Shares had been subsequently issued and allotted on 13 December 2019. As at 31 December 2019, there were no outstanding convertible notes and loans.
Refer to Note 32 for details.

Carrying amounts and fair values

The fair value of convertible loans and notes at the reporting date is as follows:

The Group and Company	Carrying amount US$	Fair value US$
31 December 2018		
Convertible loans and notes	2,639,143	3,756,395

18 Trade payables

Trade payables are due to outside parties and the average credit period on purchase of goods and services from outside parties is 30 days (2018 - 30 days). No interest is charged on overdue trade payables.

19 Other payables

	The Group		The Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Current				
Accrued expenses	**439,772**	606,778	**143,867**	401,697
Other payables due to subsidiaries[4]	**-**	-	**73,466**	12,397,315
Other payables and accruals	**1,368,804**	1,971,366	**427,549**	1,224,723
Accrued project costs	**84,586**	32,659	**-**	-
Goods and services tax payable	**398,544**	306,181	**999**	90
Provision for employee entitlement	**1,269,443**	1,929,510	**204,261**	1,658,975
Debt restructuring payable[1]	**595,672**	-	**-**	-
Loan from third parties[2]	**189,440**	412,059	**-**	49,659
Loan from employees[3]	**-**	197,500	**-**	197,500
	4,346,261	5,456,053	**850,142**	15,929,959
Non-current				
Debt restructuring payable[1]	**1,053,850**	-	**-**	-
Loan from third parties[2]	**-**	99,316	**-**	99,316
Loan from employees[3]	**-**	394,941	**-**	394,941
	1,053,850	494,257	**-**	494,257

(1) Debt restructuring payables arise from settlement agreements of debt restructuring from loan from third parties, loan from employees and vendors, at agreed terms and have a repayment period of 3 years. The repayment is from December 2020 to December 2022. The discount rate used to record the non-current portion of the debt restructuring is 5.25%. Refer to Note 32 for details.

(2) The loan from third parties are unsecured. Loan amounting to US$189,440 (2018 - US$362,400) bears interest at 6.25% (2018 - 6.25%). The loan is denominated in Malaysian Ringgit, and is repayable over 3 yearly instalments commencing from 4 April 2016 and over monthly instalments commencing from 31 July 2019.

(3) As at 31 December 2018, the loan from employees are unsecured and bears interest at 5.00% per annum. It is denominated in Singapore Dollars and is repayable over monthly instalments commencing from 31 July 2019. These loans were fully converted through debt restructuring during 2019 as disclosed in Note 32 and in (1) above.

(4) Other payables due to subsidiary amounting to US$12,397,315 were transferred and set off with amounts due from subsidiary to Nautec Group Pte Ltd.

19 Other payables (Cont'd)

Carrying amounts and fair values

The fair value of non-current payables at the reporting date is as follows:

The Group	Carrying amount US$	Fair value US$
31 December 2019		
Debt restructuring payable	**1,053,850**	**1,144,873**
31 December 2018		
Loan from employees	394,941	569,406
Loan from third parties	99,316	144,807
The Company		
31 December 2018		
Loan from employees	394,941	569,406
Loan from third parties	99,316	144,807

20 Liabilities for trade bills discounted with recourse

The following were the financial assets of the Group at the end of the reporting period that were securitised to bank by discounting those receivables on full recourse basis. As the Group had not transferred the risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables in the statement of financial position (Note 9). These financial assets are carried at amortised cost in the group's financial statements and associated liability has been recognised and included under liabilities for trade bills discounted with recourse.

	Bill receivables discounted to banks with full recourse	
The Group	**2019 US$**	2018 US$
Carrying amount of transferred assets	**26,055**	137,272
Carrying amount of associated liabilities	**(26,055)**	(137,272)
Net position	**-**	-

The above liabilities for trade bills discounted with recourse are repayable within 3 months (2018 - 3 months). The effective average interest rate for the trade bills discounted with recourse is 5.50% (2018 - 5.50%) per annum.

21 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 33).

A disaggregation of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

The Group's revenue for the year is as follows:

The Group	**2019 US$**	2018 US$
Timing of revenue recognition:		
At a point in time:		
Renewables - Sale of goods	2,905,140	2,669,826
Over time:		
Energy and Mining - Rendering of services	46,136	313,131
Ports and Offshore - Rendering of services	3,217,266	4,582,995
	6,168,542	7,565,952

22 Other income

The Group	**2019 US$**	2018 US$
Gain on disposal of assets held-for-sale	**214,572**	-
Gain on debt restructuring share issued	**1,954,416**	-
Finance income on non-current other payables initially measured at fair value	**91,023**	-
Other income	**5,402**	4,313
Interest income	**-**	17,163
Government grants	**26,682**	19,368
	2,292,095	40,844

23 Finance costs

The Group	**2019 US$**	2018 US$
Interest on bank facilities and loans	**318,592**	389,392
Interest on convertible notes (Note 17)	**233,339**	166,208
Interest on lease liabilities	**9,622**	-
	561,553	555,600

24 Taxation

The Group	Continuing operations 2019 US$	2018 US$
Current taxation	-	10,808
Overprovision of in respect of prior year taxation	-	(3,653)
Deferred tax	-	(52,589)
Income tax credit recognised in profit or loss	-	(45,434)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the accounting profit as a result of the following:

The Group	**2019 US$**	2018 US$
Loss before taxation		
Continuing operations	**(156,759)**	(2,239,818)
Discontinued operations	**(57,183)**	(2,788,991)
	(213,942)	(5,028,809)
Tax at statutory rate of 17% (2018 - 17%)	**(36,370)**	(854,898)
Tax effect on non-deductible expenses	**243,462**	610,684
Tax effect on non-taxable income	**(34,371)**	(3,636)
Utilisation of deferred tax benefit	-	(52,589)
Effect of tax rates in foreign jurisdiction	**48,638**	(57,645)
Statutory tax exemption and rebates	-	3,255
Special deduction	**(3,542)**	-
Deferred tax assets not recognised	**1,085,697**	302,240
Utilisation of deferred tax assets not recognised in prior year	**(1,303,514)**	-
Write off of withholding tax receivables	-	10,808
Overprovision of current taxation in respect of prior year	-	(3,653)
	-	(45,434)

25 Discontinued operations

The discontinued operations include the following:

The operations of NauticAWT Energy is classified as held-for-sale as at 31 December 2018 and the sale was completed on 30 December 2019.

The group's plan to dispose NauticAWT Energy was made in order to generate cash flow for the group's working capital.

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

	Subsurface and Wells		Total	
The Group	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$
Loss for the year	**(57,183)**	(2,788,991)	**(57,183)**	(2,788,991)

The results of discontinued operations from the year are as follows:

	Subsurface and Wells		Total	
The Group	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$
Other expenses	**(52,389)**	(2,721,378)	**(52,389)**	(2,721,378)
Finance costs	**(4,793)**	(67,613)	**(4,793)**	(67,613)
Loss before tax	**(57,183)**	(2,788,991)	**(57,183)**	(2,788,991)
Income tax expense	**-**	-	**-**	-
Loss for the year	**(57,183)**	(2,788,991)	**(57,183)**	(2,788,991)
Loss for the year				
Owners of the company	**(57,183)**	(2,788,991)	**(57,183)**	(2,788,991)
Non-controlling interests	**-**	-	**-**	-
	(57,183)	(2,788,991)	**(57,183)**	(2,788,991)

During the year, the net cash inflows (outflows) attributable to the discontinued operations are as follows:

	2019	2018
The Group	**US$**	US$
Operating activities	**(57,183)**	896,148
Investing activities	**-**	-
Financing activities	-	(897,786)

26 Loss for the year

Loss for the year has been arrived at after charging (crediting):

The Group	Continuing operations **2019** **US$**	Continuing operations 2018 US$	Discontinued operations **2019** **US$**	Discontinued operations 2018 US$	Total **2019** **US$**	Total 2018 US$
Employee benefit expense (including directors' remuneration):						
Defined contribution plans	136,937	198,919	-	-	136,937	198,919
Salaries, bonuses and related costs	2,119,397	3,311,117	-	-	2,119,397	3,311,117
Directors' remuneration	174,388	692,450	-	-	174,388	692,450
Total employee benefit expense	**2,430,722**	4,202,486	-	-	**2,430,722**	4,202,486
Cost of inventories included in cost of sales	**1,068,466**	1,036,334	-	-	**1,068,466**	1,036,334
Depreciation of property, plant and equipment	**675,441**	731,226	-	-	**675,441**	731,226
Depreciation of right-of-use assets	**120,438**	-	-	-	**120,438**	-
Amortisation of intangible assets	**(987)**	30,193	-	-	**(987)**	30,193
Impairment loss on trade receivables	**159,987**	915,026	-	-	**159,987**	915,026
Loss on impairment of assets held for sale	-	-		2,718,338	-	2,718,338
Audit fees:						
- paid to auditor of the company	**87,643**	73,567	-	-	**87,643**	73,567
- paid to other auditors	**42,664**	48,758	**16,398**	-	**59,062**	48,758
Total audit fees	**130,307**	122,325	**16,398**	-	**146,705**	122,325
Non-audit fees:						
- paid to auditor of the company	**41,603**	29,664	-	-	**41,603**	29,664
- paid to other auditors	**28,404**	26,938	-	-	**28,404**	26,938
Total non-audit fees	**70,007**	56,602	-	-	**70,007**	56,602
One-off NauticAWT PSP	-	485,702	-	-	-	485,702
Write off/(Write back) of obsolete inventories	**127,928**	(14,523)	-	-	**127,928**	(14,523)
Net foreign exchange loss/(gain)	**111,886**	214,843	**31,982**	(84)	**143,868**	214,759
Loss on disposal of property, plant and equipment	**63,872**	182,426	-	-	**63,872**	182,426
Impairment loss on property, plant and equipment	**991,403**	-	-	-	**991,403**	-
Write off of property, plant and equipment	-	26,479	-	-	-	26,479

27 Loss per share

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the ordinary owners of the Company is based on the following:

The Group	**2019** **US$**	2018 US$
From continuing and discontinued operations		
Loss for the year		
Loss for the purposes of basic loss per share and diluted loss per share (Loss for the year attributable to owners of the Company)	(213,942)	(4,983,375)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	242,621,738	208,231,944
Basic (cents)	(0.09)	(2.39)
Diluted (cents)	(0.09)	(2.39)
From continuing operations		
Loss for the year		
Loss for the purposes of basic loss per share and diluted loss per share (Loss for the year attributable to owners of the company)	(156,759)	(2,194,384)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	242,621,738	208,231,944
Basic (cents)	(0.07)	(1.05)
Diluted (cents)	(0.07)	(1.05)
From discontinued operations		
Loss for the year		
Loss for the purposes of basic loss per share and diluted loss per share (Loss for the year attributable to owners of the company)	(57,183)	(2,788,991)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	242,621,738	208,231,944
Basic (cents)	(0.02)	(1.34)
Diluted (cents)	(0.02)	(1.34)

28 Lease

Where the Group is the lessee,

Office premise
The Group leases office for operation purposes.
This office premise is recognised within the Group's right-of-use assets (Note 4)
The Group makes monthly lease payments for the use of office premise.
There are no externally imposed covenants on these lease arrangements.

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Notes 4 and 16.

29 Holding company and related company transactions

Related companies in these financial statements refer to members of NauticAWT Limited's (the "**holding company**") group of companies.

Some of the company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the company entered into the following transactions with related companies:

The Company	**2019** **US$**	2018 US$
Management fees charged to subsidiaries	**36,259**	3,527,169
Franchise fees charged to a subsidiary	**29,007**	62,437
Transfer of related party receivables	**14,814,408**	-
Transfer of related party payables	**15,304,664**	-
Sale of plant and equipment to a subsidiary	**422,771**	-
Sale of intangible assets to a subsidiary	**1,069,379**	-
Disposal of subsidiaries to a subsidiary	535,422	-

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties at mutually agreed amounts:

29 Holding company and related company transactions (Cont'd)

	The Group		The Company	
	2019	2018	**2019**	2018
	US$	US$	**US$**	US$
Loan from directors				
Current(i)				
- John Grønbech	-	63,377	-	63,377
- Lim How Teck (iv)	-	72,701	-	72,701
	-	136,078	-	136,078
Non-current(i)				
- John Grønbech	-	377,110	-	377,110
- Lim How Teck (iv)	-	247,349	-	247,349
	-	624,459	-	624,459
Convertible notes issued to directors(ii)				
Principal amount subscribed	-	175,000	-	175,000
Loan from employees(iii)				
Current	-	197,500	-	197,500
Non-current	-	394,491	-	394,491
Interest expenses arising from				
Loan from directors	**23,876**	42,484	**23,876**	42,484
Loan from employees	**22,280**	33,832	**22,280**	33,832
Convertible notes issued to directors	**11,667**	17,500	**11,667**	17,500
	57,823	93,816	**57,823**	93,816

(i) As at 31 December 2018, loan from directors are unsecured and bears interest at 5.00% per annum. It is denominated in Singapore Dollars and is repayable on 31 December 2020.

(ii) As at 31 December 2018, convertible notes issued to directors effective interest rate of 10.24% per annum to the liability component on the date the respective notes were issued.

(iii) As at 31 December 2018, loan from employees are unsecured and bears interest at 5.00% per annum. It is denominated in Singapore Dollars and is repayable over monthly instalments commencing from 31 July 2019.

(iv) The director resigned on 13 December 2019.

All the loans above have been converted through debt restructuring at agreed repayment terms during the year in 2019.

29 Holding company and related company transactions (Cont'd)

Compensation of director and key management personnel

Compensation of directors and key management personnel during the year was as follows:

The Group	**2019 US$**	2018 US$
Salaries, bonuses and other short-term benefits	**797,598**	1,716,402

Carrying amounts and fair values

The fair value of non-current loan from directors at the reporting date is as follows:

The Group and the Company	Carrying amount US$	Fair value US$
31 December 2018		
Loan from directors	624,459	693,259

30 Contingent liabilities

The Company is party to performance guarantees with external counterparties in respect of contract obligations to be carried out by a subsidiary. The maximum amount the company could be forced to settle under these performances guarantees, if the full guaranteed amount is claimed by the counterparty is US$Nil (2018 - US$94,090). As at the end of the reporting period, no amount is payable under the arrangement as the guarantee has expired as of the date of this report.

31 Operating lease commitments

The Group as lessee

	The Group 2018 US$	The Company 2018 US$
Minimum lease payments under operating leases recognised as an expense during the year	238,679	103,515

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	The Group 2018 US$	The Company 2018 US$
Not later than one year	168,914	104,560
Later than one year and not later than five years	118,553	104,560
	287,467	209,120

As at 31 December 2018, operating lease payments represent rentals payable by the Group for its office premises and office equipment. Leases were negotiated and fixed for an average term of one year. There are no restrictions placed upon the Group by entering into these leases.

32 Debt restructuring

Pursuant to the Subscription Agreement, the Company undertook to commence a Debt Restructuring which would include, inter-alia, the Company's issuance of an aggregate of up to 181,852,521 Shares for a partial capitalisation of the liabilities of the Company (the "**Settlement Shares**").

Following the issuance and allotment of the Settlement Shares, the Company's issued and paid-up share capital has increased from 212,333,525 shares to 394,186,046 shares. .

The obligation to pay the remainder of the debts due to All Other Participants by the Company (the "**Remaining Debt**") shall be transferred entirely to the Company's fully owned subsidiary, Nautec Group Pte Ltd, and paid in the following manner.

- 20% on the date falling 1 year from 31 December 2019;
- 30% on the date falling 2 years from 31 December 2019; and
- 50% on the date falling 3 years from 31 December 2019.

The Company recorded a gain on the extinguishment of convertible notes of US$3,511,189 due to the difference between the carrying value of instruments extinguished and allotment price agreed of US$4,883,097 and fair value of US$1,371,908. The carrying value of the equity component of convertible notes converted to share capital of US$448,004 has been reclassified from the capital reserve to share capital. Based on the computation below, US$1,556,773 has been recognised as capital reserve and US$1,954,416 was recognised in profit or loss.

The summary of debt restructuring exercise is as follows:

	Convertible note US$ (A)	Convertible bond US$ (B)	Other creditors US$ (C)	Total US$ (D)=A+B+C
Amount settled by issuance of shares	1,137,123	2,183,069	1,562,905	4,883,097
Amount settled by cash through 3 instalments	-	-	1,716,961	1,716,961
Total settlement	1,137,123	2,183,069	3,279,866	6,600,058

	Allotment price US$ (A)	Fair value US$ (B)	Gain on Extinguishment US$ (C)=A-B
Shares issued equity holders in their capacities as equity holders			
– Capital reserve	2,151,906	595,133	1,556,773
Shares issued to non-equity holders			
– Profit or loss	2,731,191	776,775	1,954,416
	4,883,097	1,371,908	3,511,189

	Convertible note No. of shares	Convertible bond No. of shares	Other creditors No. of shares	Total No. of shares
Total shares issued	42,509,278	81,610,035	57,733,208	181,852,521

32 Debt restructuring (Cont'd)

Computation of the finance income of non-current portion of the debt restructuring payables initially measured at fair value

	Due by 31/12/2020 US$	Due by 31/12/2021 US$	Due by 31/12/2022 US$	Total US$
Original carrying amount	595,672	429,327	715,546	1,740,545
Fair value	595,672	407,841	646,009	1,649,522
Finance income on non-current other payables initially measured at fair value	-	21,486	69,537	91,023

33 Segment information

The Group determines its reportable segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("CODM") in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the group's CODM for the purposes of resource allocation and assessment of performance.

The Group's reportable business segments under SFRS(I) 8 are as follows:

(1) Renewables segment mainly relates to provision of Ultra High Performance Concrete and Composites ("**UHPC**") materials for the installation of onshore and offshore wind turbines.

(2) Ports and Offshore segment mainly relates to provision of engineering and contracting services for greenfield and brownfield offshore and marine infrastructure projects.

(3) Energy & Mining ("**Downhole**") segment mainly relates to provision of Ultra High Performance Concrete and Composites ("**UHPC**") for well integrity and remediation of production wells.

(4) Civil Structures segment mainly relates to provision of Ultra High Performance Concrete and Composites ("**UHPC**") and High Performance Concrete and Composite ("**HPC**") materials for the civil structures, facades and claddings.

The Group's following reportable business segments have been discontinued in prior year:

(1) Subsurface and Wells segment mainly relates to provision of integrated geosciences, engineering and project management services on a wide range of international oil and gas assets.

(2) Facilities segment mainly relates to provision of integrated topside, offshore facilities and pipe line engineering and contracting services.

33 Segment information (Cont'd)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 2 to the financial statements. Segment performance is evaluated by the CODM based on the segment results which represent the gross profit earned by each segment. Certain expenses, other income and income taxes are managed on a group basis and are not allocated to operating segments.

The allocation of costs cannot be done in a similar manner with reasonable accuracy as Group costs are general in nature and are pooled to serve all the customers. These costs comprise distribution expenses, administrative expenses, other operating expenses, finance costs and other charges. As CODM do not track the allocation of cost of sales and operating costs by geographical regions, any attempt to match these expenses to revenue in the various geographical regions is therefore not meaningful.

Inter-segment transfers are eliminated on consolidation.

Based on the management reporting to CODM, the segment assets and liabilities are not regularly provided for their review of the financial performance. Therefore, the segment assets and liabilities amounts are not disclosed in the segment information.

Segment information about the Group's reportable segment is presented as follows:

33 Segment information (Cont'd)

	Renewables		Ports and Offshore		Energy and Mining		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$
Continuing operations								
Total Revenue	**2,905,140**	2,669,826	**3,217,266**	4,582,995	**46,136**	313,131	**6,168,542**	7,565,952
Segment results	**1,167,071**	1,209,540	**1,240,216**	2,404,048	**(71,752)**	191,244	**2,335,535**	3,804,832
Depreciation of property, plant and equipment (excluding machinery and factory which are included in segment results)							**(114,574)**	(129,228)
Depreciation of right-of-use assets							**(120,438)**	-
Amortisation of intangible assets							**987**	(30,193)
Write off of property, plant and equipment							**-**	(26,391)
Impairment loss on property, plant and equipment							**(991,403)**	-
Loss on disposal of property, plant and equipment							**(63,872)**	(182,426)
Impairment loss on receivables							**(159,987)**	(915,026)
Gain on disposal of assets held for sale							**214,572**	-
Gain on debt restructuring share issued							**1,954,416**	-
One-off NauticAWT PSP cost							**-**	(485,702)
Interest income							**-**	17,163
Finance costs							**(561,553)**	(555,600)
Other unallocated expenses							**(2,650,442)**	(3,737,247)
Loss before tax							**(156,759)**	(2,239,818)
Income tax credit							**-**	45,434
Loss for the year from continuing operations							**(156,759)**	(2,194,384)

33 Segment information (Cont'd)

	Subsurface and Wells		Facilities		Ports and Offshore		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	US$	US$	**US$**	US$	**US$**	US$	**US$**	US$
Discontinued operations								
Total Revenue	**-**	-	**-**	-	**-**	-	**-**	-
Segment results	**-**	-	**-**	-	**-**	-	**-**	-
Loss on impairment of assets held for sale							**-**	(2,718,338)
Finance costs							**(4,793)**	(67,613)
Other unallocated expenses							**(52,390)**	(3,040)
Loss before tax							**(57,183)**	(2,788,991)
Income tax expense							**-**	-
Loss for the year from discontinued operations							**(57,183)**	(2,788,991)

33 Segment information (Cont'd)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

Revenue	**2019 US$**	2018 US$
Total revenue for reportable segments	**6,168,542**	7,565,952
Consolidated revenue	**6,168,542**	7,565,942

Profit or loss	**2019 US$**	2018 US$
Total profit/(loss) for reportable segments from operations	**3,055,329**	(665,309)
Finance expense – continued operations	**(561,553)**	(555,600)
Unallocated expenses – continued operations	**(2,650,535)**	(3,737,247)
Finance expense – discontinued operations	**(4,793)**	(67,613)
Unallocated expenses – discontinued operations	**(52,390)**	(3,040)
Consolidated profit/(loss) before tax	**(213,942)**	(5,028,809)

Segment assets	**2019 US$**	2018 US$
Total assets for reportable segments	**17,254,648**	30,259,728
Elimination	**(4,625,212)**	(18,336,418)
Consolidated total assets	**12,629,436**	11,923,310

Segment liabilities	**2019 S$**	2018 S$
Total liabilities for reportable segments	**14,892,747**	34,912,804
Elimination	**(4,475,754)**	(19,866,737)
Consolidated total liabilities	**10,416,993**	15,046,067

Geographical information

The Group operates in seven principal geographical areas - Asia (exclude Middle East and India), Australasia, India, Middle East and Africa, Americas and Europe.

The Group's revenue from external customers by geographical locations are detailed below:

33 Segment information (Cont'd)

	2019	2018
The Group	**US$**	US$
Revenue from external customers		
(based on location of customer)		
Continuing operations:		
Asia (exclude Middle East and India)		
Brunei	**945,134**	817,705
Indonesia	**-**	267,634
Malaysia	**1,052,707**	403,037
Vietnam	**10,570**	7,013
Singapore	**7,690**	(9,704)
Myanmar	**-**	371,283
China	**462,477**	186,506
Philippines	**-**	230,710
Russia	**119,870**	39,000
Thailand	**-**	323,310
	2,598,448	2,636,494
Australasia		
Australia	**666,972**	567,248
India		
India	**-**	1,554,309
Middle East and Africa		
United Arab Emirates	**8,171**	34,040
Turkey	**-**	197,523
Turkmenistan	**34,925**	31,670
Saudi Arabia	**-**	584,650
	43,096	847,883
Americas		
Mexico	**644,599**	199,634
Brazil	**466,078**	-
United States of America	**-**	40,248
	1,110,677	239,882
Europe		
Denmark	**1,685,907**	1,709,469
Ukraine	**41,934**	-
Netherland	**21,508**	10,667
	1,749,349	1,720,136
Total (Continuing operations)	**6,168,542**	7,565,952

33 Segment information (Cont'd)

Information about major customers

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

The Group	**2019** **US$**	2018 US$
Ports and Offshore		
Customer A	**945,134**	816,111
Customer B	**-**	857,834
Renewables		
Customer C	**2,163,145**	1,709,469

34 Financial risk management

The Company's and the Group'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 Company's and the Group's financial performance. The key financial risks include foreign currency risk, credit risk, market price risk, interest rate risk and liquidity risk. The Company's and the Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Company's and the Group's financial performance. The Company's and the Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Company's and the Group's business whilst managing the risk.

The Company's and the Group's risk management is carried out by the board of directors. The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Company's and the Group's exposure to these financial risks and the manner in which they manage and measure the risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34 Financial risk management (Cont'd)

34.1 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 exposure to interest rate risk arises from its variable rate bank loans.

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points (bp) in interest rates on variable rate borrowings at the reporting date would have increased/decreased profit or loss before tax and equity by the amounts shown below.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group	**Profit before tax increase/(decrease)**		**Equity increase/(decrease)**	
	(10 bp increase) US$	**(10 bp decrease) US$**	**(10 bp increase) US$**	**(10 bp decrease) US$**
At 31 December 2019				
Liabilities for trade bills discounted with recourse	(3,575)	3,575	(3,575)	3,575
Bank loans and advances	(26)	26	(26)	26
Loan from third parties	(189)	189	(189)	189
At 31 December 2018				
Liabilities for trade bills discounted with recourse	(137)	137	(137)	137
Bank loans and advances	(3,848)	3,848	(3,848)	3,848
Convertible notes and loans	(2,639)	2,639	(2,639)	2,639
Loan from directors	(761)	761	(761)	761
Loan from third parties	(511)	511	(511)	511
Loan from employees	(592)	592	(592)	592

The Company	**Profit before tax increase/(decrease)**		**Equity increase/(decrease)**	
	(10 bp increase) US$	**(10 bp decrease) US$**	**(10 bp increase) US$**	**(10 bp decrease) US$**
At 31 December 2018				
Convertible notes and loans	(2,639)	2,639	(2,639)	2,639
Loan from directors	(761)	761	(761)	761
Loan from third parties	(149)	149	(149)	149
Loan from employees	(592)	592	(592)	592

34 Financial risk management (Cont'd)

34.2 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 has transactional currency exposures arising from revenue and expenses, and also currency exposure to funding that are denominated in non-functional currencies. The Group's foreign currency exposure is mainly from the exchange rate movements of the Singapore dollars, Australian dollars, Euro, Brunei dollars and Malaysian ringgit against the United States dollars. The Group does not use derivative financial instruments to hedge the exposure. Instead, management constantly monitors the fluctuations of foreign currency exchange rates so as to ensure that the group's exposure to foreign currency risk is kept to a minimum.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of each group entity at the end of the reporting period are as follows:

	Singapore dollars	
	31 December 2019	31 December 2018
The Group	**US$**	US$
Financial Assets		
Cash and cash equivalents	**988,833**	1,591
Trade receivables	**2,348**	36,111
Other receivables	**46,581**	42,885
	1,037,762	80,587
Financial Liabilities		
Trade payables	**130,912**	154,275
Other payables	**2,522,110**	3,062,308
Lease liabilities	**98,562**	-
Bank loan and advances	**-**	205,197
Loan from director	**-**	760,537
	2,751,584	4,182,317
Net currency exposure on financial liabilities	**(1,713,822)**	(4,101,730)

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

	Australian dollars	
	31 December 2019	31 December 2018
The Group	**US$**	US$
Financial Assets		
Cash and cash equivalents	**483**	95
Trade receivables	**703**	63,706
	1,186	63,801
Financial Liabilities		
Trade payables	**67,650**	152,852
Other payables	**163,044**	306,508
	230,694	459,360
Net currency exposure on financial liabilities	**(229,508)**	(395,559)

	Malaysian ringgit	
	31 December 2019	31 December 2018
The Group	**US$**	US$
Financial Assets		
Cash and cash equivalents	**567,355**	2,605
Trade receivables	**463,025**	429,452
Other receivables	**7,282**	5,690
	1,037,662	437,747
Financial Liabilities		
Trade payables	**216,967**	317,794
Other payables	**638,716**	425,429
Bank loan and advances	**3,478,475**	3,642,507
	4,334,158	4,385,730
Net currency exposure on financial liabilities	**(3,296,496)**	(3,947,983)

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

	Brunei dollars	
	31 December	31 December
	2019	2018
The Group	**US$**	US$
Financial Assets		
Cash and cash equivalents	**9,732**	33,004
Trade receivables	**39,050**	136,918
Other receivables	**12,530**	12,749
	61,312	182,671
Financial Liabilities		
Trade payables	**72,159**	140,810
Other payables	**32,628**	14,211
Lease liabilities	**9,795**	-
Bank loan and advances	**96,205**	-
Liabilities for trade bills discounted with recourse	**26,055**	137,272
	236,842	292,293
Net currency exposure on financial liabilities	**(175,530)**	(109,622)

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

	Euro	
	31 December 2019	31 December 2018
The Group	**US$**	US$
Financial Assets		
Trade receivables	**28,716**	10,619
	28,716	10,619
Financial Liabilities		
Trade payables	**53,431**	401
Other payables	**43,906**	22,253
	97,337	22,654
Net currency exposure on financial liabilities	**(68,621)**	(12,035)

	Thailand baht	
	31 December 2019	31 December 2018
The Group	**US$**	US$
Financial Assets		
Cash and cash equivalents	**1,598,434**	-
Financial Liabilities		
Trade payables	**9,454**	-
Net currency exposure on financial assets	**1,588,980**	-

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table shows the sensitivity of the Group's loss before income tax to a reasonably possible change in the relevant currency against the functional currency of each group entity, with all other variables held constant.

	2019		2018	
The Group	**Loss before tax US$**	**Equity US$**	Loss before tax US$	Equity US$
Singapore dollars				
- strengthened by 5%	**85,691**	**85,691**	205,086	205,086
- weakened by 5%	**(85,691)**	**(85,691)**	(205,086)	(205,086)
Australian dollars				
- strengthened by 5%	**11,475**	**11,475**	19,778	19,778
- weakened by 5%	**(11,475)**	**(11,475)**	(19,778)	(19,778)
Euro				
- strengthened by 5%	**3,431**	**3,431**	602	602
- weakened by 5%	**(3,431)**	**(3,431)**	(602)	(602)
Brunei dollars				
- strengthened by 5%	**8,777**	**8,777**	5,481	5,481
- weakened by 5%	**(8,777)**	**(8,777)**	(5,481)	(5,481)
Malaysian ringgit				
- strengthened by 5%	**164,825**	**164,825**	197,399	197,399
- weakened by 5%	**(164,825)**	**(164,825)**	(197,399)	(197,399)
Thailand baht				
- strengthened by 5%	**(79,449)**	**(79,449)**	-	-
- weakened by 5%	**79,449**	**79,449**	-	-

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the Company at the end of the reporting period are as follows:

	Singapore dollars	
	31 December 2019	31 December 2018
The Company	**US$**	US$
Financial Assets		
Cash and cash equivalents	**979,501**	1,317
Other receivables	**-**	197,721
	979,501	199,038
Financial Liabilities		
Other payables	**760,978**	3,355,287
Loan from director	**-**	760,537
	760,978	4,115,824
Net currency exposure on financial liabilities	**218,523**	(3,916,786)

	Australian dollars	
	31 December 2019	31 December 2018
The Company	**US$**	US$
Financial Liabilities		
Other payables	**-**	359,107
	-	359,107
Net currency exposure on financial liabilities	**-**	(359,107)

	Malaysian ringgit	
	31 December 2019	31 December 2018
The Company	**US$**	US$
Financial Liabilities		
Other payables	**402**	427
	402	427
Net currency exposure on financial liabilities	**(402)**	(427)

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

	Euro	
The Company	**31 December 2019 US$**	31 December 2018 US$
Financial Liabilities		
Other payables	**-**	22,654
	-	22,654
Net currency exposure on financial liabilities	**-**	(22,654)

	Thailand baht	
The Company	**31 December 2019 US$**	31 December 2018 US$
Financial Assets		
Cash and cash equivalents	**1,598,434**	-
	1,598,434	-
Net currency exposure on financial assets	**1,598,434**	-

34 Financial risk management (Cont'd)

34.2 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table shows the sensitivity of the Company's loss before income tax to a reasonably possible change in the relevant currency against the functional currency of each company, with all other variables held constant.

The Company	**2019** Profit before tax US$	**2019** Equity US$	2018 Loss before tax US$	2018 Equity US$
Singapore dollars				
- strengthened by 5%	**10,926**	**10,926**	195,839	195,839
- weakened by 5%	**(10,926)**	**(10,926)**	(195,839)	(195,839)
Australian dollars				
- strengthened by 5%	**-**	**-**	17,955	17,955
- weakened by 5%	**-**	**-**	(17,955)	(17,955)
Euro				
- strengthened by 5%	**-**	**-**	1,133	1,133
- weakened by 5%	**-**	**-**	(1,133)	(1,133)
Malaysian ringgit				
- strengthened by 5%	**(20)**	**(20)**	21	21
- weakened by 5%	**20**	**20**	(21)	(21)
Thailand baht				
- strengthened by 5%	**79,922**	**79,922**	-	-
- weakened by 5%	**(79,922)**	**(79,922)**	-	-

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

34.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement.

34 Financial risk management (Cont'd)

34.3 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

		---------------Contractual undiscounted cash flows-------------			
	Carrying amount	Total	Less than 1 year	Between 2 and 5 years	Over 5 years
The Group	US$	US$	US$	US$	US$
As at 31 December 2019					
Trade payables	**870,600**	**870,600**	**870,600**	**-**	**-**
Other payables	**5,001,567**	**5,092,590**	**3,947,717**	**1,144,873**	**-**
Bank loan and advances	**3,574,680**	**5,358,136**	**807,297**	**1,446,624**	**3,104,215**
Liabilities for trade bills discounted with recourse	**26,055**	**26,055**	**26,055**	**-**	**-**
Lease liabilities	**120,546**	**123,484**	**122,044**	**1,440**	**-**
	9,593,448	**11,470,865**	**5,773,713**	**2,592,937**	**3,104,215**
As at 31 December 2018					
Trade payables	1,136,829	1,136,829	1,136,829	-	-
Other payables	5,644,129	5,692,567	5,184,709	507,858	-
Bank loan and advances	3,847,704	5,917,963	905,890	1,475,948	3,536,125
Liabilities for trade bills discounted with recourse	137,272	137,272	137,272	-	-
Loan from directors	760,537	893,772	145,016	748,756	-
Convertible notes and loans	2,639,143	3,962,669	-	3,962,669	-
	14,165,614	17,741,072	7,509,716	6,695,231	3,536,125

		---------------Contractual undiscounted cash flows-------------			
The Company	Carrying amount	Total	Less than 1 year	Between 2 and 5 years	Over 5 years
	US$	US$	US$	US$	US$
As at 31 December 2019					
Other payables	**618,726**	**618,726**	**618,726**	**-**	**-**
As at 31 December 2018					
Other payables	16,424,126	16,472,563	15,964,705	507,858	-
Loan from directors	760,537	893,772	145,016	748,756	-
Convertible notes and loans	2,639,143	3,962,669	-	3,962,669	-
	19,823,806	21,329,004	16,109,721	5,219,283	-

34.4 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, are not exposed to any movement in market prices.

34 Financial risk management (Cont'd)

34.5 Credit risk

Credit risk is 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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group and the Company have established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group and the Company grant credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's and the Company's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's and the Company's assessment of their creditworthiness and in accordance with the Group's and the Company's policy.

The Group and the Company have trade and other receivables and cash and bank balances that are subject to the expected credit loss model. While other receivables and cash and bank balances are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Trade receivables

The Group and the Company apply the SFRS(I) 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group and the Company have identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

34 Financial risk management (Cont'd)

34.5 Credit risk (Cont'd)

On that basis, below is the information about the credit risk exposure on the Group's and the Company's trade receivables using provision matrix:

The Group	Current US$	Past due 0 to 30 days US$	Past due 31 to 60 days US$	Past due 61 to 90 days US$	Past due more than 90 days US$	Total US$
2019						
Gross carrying amount	**69,890**	**258,679**	**64,110**	**2,348**	**514,886**	**909,913**
Expected credit loss rate (%)	-	-	-	-	**31.07**	**-**
Loss allowance	-	-	-	-	**159,987**	**159,987**
2018						
Gross carrying amount	616,879	997,487	6,222	5,707	4,994,763	6,621,157
Expected credit loss rate (%)	-	91.69	-	-	83.60	-
Loss allowance	-	914,552	-	-	4,175,763	5,090,315

The Company	Current S$	Past due 0 to 30 days S$	Past due 31 to 60 days S$	Past due 61 to 90 days S$	Past due more than 90 days S$	Total S$
2019						
Gross carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit loss rate (%)	**-**	**-**	**-**	**-**	**-**	**-**
Loss allowance	**-**	**-**	**-**	**-**	**-**	**-**
2018						
Gross carrying amount	3,480,331	26,439	33,725	36,106	10,946,287	14,522,888
Expected credit loss rate (%)	39.38	-	-	1.22	30.17	-
Loss allowance	1,370,674	-	-	444	3,302,360	4,673,478

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group and the Company.

<u>**Other receivables (non-trade)**</u>

Loss allowance for other receivables is measured at an amount equal to 12-month ECLs. The ECLs on other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. At the end of the reporting period, no loss allowance for other receivables was required.

34 Financial risk management (Cont'd)

34.5 Credit risk (Cont'd)

Amounts due from subsidiaries (non-trade)
Except for the non-trade amounts due from certain loss-making subsidiaries which are credit-impaired, the amounts due from subsidiaries are considered to have low credit risk as the Company has control over the operating, investing and financing activities of its subsidiaries. The use of advances to assist with the subsidiaries' cash flow management is in line with the Group's capital management. There has been no significant increase in the credit risk of the amounts due from subsidiaries since initial recognition. In determining the ECLs, management has taken into account the finances and business performance of the subsidiaries, and a forward-looking analysis of the financial performance of operations of the subsidiaries.

Management has assessed that the Company is not exposed to significant credit losses in respect of the amounts due from subsidiaries as at 31 December 2019.

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 for letters of financial support and corporate guarantee issued by the Company to and on behalf of a subsidiary.

The Company has given formal undertakings, which are unsecured, to provide financial support to certain subsidiaries in the Group.

The current interest rates charged by the lender on the loans to the subsidiary are at market rates and are consistent with the borrowing costs of the subsidiary without any corporate guarantee.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the corporate guarantee.

To mitigate credit risk arising from corporate guarantees, management continually monitors the risk and has established processes including performing credit evaluations of the parties for which the Group provides corporate guarantees. Corporate guarantees are only for intra-group financing purposes and given by the Company on behalf of its subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits and trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 9.

35 Financial instruments

The carrying amounts of financial assets and financial liabilities at the reporting date by categories are as follows:

The Group	Amortised cost US$	Other financial liabilities at amortised cost US$	Total US$
2019			
Financial assets			
Trade receivables (Note 9)	**750,019**	**-**	**750,019**
Other receivables# (Note 10)	**205,705**	**-**	**205,705**
Cash and bank balances (Note 11)	**3,201,539**	**-**	**3,201,539**
	4,157,263	**-**	**4,157,263**
Financial liabilities			
Trade payables (Note 18)	**-**	**870,600**	**870,600**
Other payables* (Note 19)	**-**	**5,001,567**	**5,001,567**
Bank loans and advances (Note 15)	**-**	**3,574,680**	**3,574,680**
Liabilities for trade bills discounted with recourse (Note 20)	**-**	**26,055**	**26,055**
Lease liabilities (Note 16)	**-**	**120,546**	**120,546**
	-	**9,593,448**	**9,593,448**

* *Exclude goods and services tax*

\# *Excludes income tax credit, prepayments, prepayment for investment, withholding tax receivable, advances and goods and services tax*

35 Financial instruments (Cont'd)

The Group	Loans and receivables at amortised cost US$	Other financial liabilities at amortised cost US$	Total US$
2018			
Financial assets			
Asset classified as held for sale (Note 12)	4,400	-	4,400
Trade receivables (Note 9)	1,530,842	-	1,530,842
Other receivables# (Note 10)	214,718	-	214,718
Cash and bank balances (Note 10)	38,624	-	38,624
	1,788,584	-	1,788,584
Financial liabilities			
Trade payables (Note 18)	-	1,136,829	1,136,829
Other payables* (Note 19)	-	5,644,129	5,644,129
Bank loans and advances (Note 15)	-	3,847,704	3,847,704
Loan from directors	-	760,537	760,537
Liabilities for trade bills discounted with recourse (Note 20)	-	137,272	137,272
Convertible notes and loans (Note 17)	-	2,639,143	2,639,143
Liabilities directly associated with assets classified as held for sale (Note 12)	-	219,142	219,142
	-	14,384,756	14,384,756

* *Exclude goods and services tax*

\# *Excludes prepayments, withholding tax receivable, advances and goods and services tax*

35 Financial instruments (Cont'd)

The Company	Amortised cost US$	Other financial liabilities at amortised cost US$	Total US$
2019			
Financial assets			
Cash and bank balances (Note 11)	**2,577,935**	**-**	**2,577,935**
	2,577,935	**-**	**2,577,935**
Financial liabilities			
Other payables* (Note 19)	**-**	**849,143**	**849,143**
	-	**849,143**	**849,143**

* *Exclude goods and services tax*

The Company	Loans and receivables at amortised cost US$	Other financial liabilities at amortised cost US$	Total US$
2018			
Financial assets			
Trade receivables (Note 9)	9,849,410	-	9,849,410
Other receivables# (Note 10)	49,034	-	49,034
Cash and bank balances (Note 10)	1,317	-	1,317
	9,899,761	-	9,899,761
Financial liabilities			
Other payables* (Note 19)	-	16,424,126	16,424,126
Loan from directors	-	760,537	760,537
Convertible notes and loans (Note 17)	-	2,639,143	2,639,143
	-	19,823,806	19,823,806

* *Exclude goods and services tax*
\# *Excludes prepayments, advances and goods and services tax*

36 Fair value measurements

Definition of fair value
FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables (excluding input taxes and tax recoverable), cash and bank balances, short-term borrowings, and trade and other payables (excluding contract liability and provision for retirement benefits), are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 - Inputs order that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

36.1 Financial assets and financial liabilities subject to offsetting arrangements

(a) Set-off of balances with subsidiaries (the Company)

The subsidiary and the Company have arrangements to settle intercompany balances due to or due from each other on a net basis. The amounts of due to and due from subsidiaries that are set-off are as follows:

The Company **31 December 2019**	**Gross carrying amounts** **US$**	**Gross amounts offset in the statement of financial position** **US$**	**Net amounts in the statement of financial position** **US$**
Amounts due from subsidiaries (non-trade)	**20,257,906**	**(20,257,906)**	**-**
Amounts due to subsidiaries (non-trade)	**(20,331,372)**	**20,257,906**	**(73,466)**
	(73,466)	**-**	**(73,466)**

37 Commitments

(A) NauticAWT Energy had on December 15, 2016 entered into a farm-in agreement (the "**Agreement**") with Vectra Petroleum Ltd ("**Vectra**"), a company incorporated in Hong Kong, pursuant to which Vectra farm-outs a 50% participating interest ("**Assigned Participating Interest**") in the Block VIIB, West Georgia production sharing contract (the "**PSC**") to NauticAWT Energy (the "**Farm-in Transaction**"). The consideration (the "**Consideration**") of the Farm-in Transaction was US$5,000,000.

As at 31 December 2016, completion of the Farm-in Transaction was conditional on the following conditions having been fulfilled or waived in accordance with the Agreement:

(a) Receipt of the approval from the Georgian Government for the Farm-in Transaction;

(b) All requisite regulatory and shareholder approvals, consents, waivers, registrations or statements of no objection (as the case may be) required by the company by law or any competent authorities (including the relevant rules and/or requirements of the Singapore Exchange Securities Trading Limited) having jurisdiction over the company and the matters contemplated in the Agreement ("Required Approvals"), and if such Required Approvals are subject to conditions, such conditions being reasonably acceptable to the NauticAWT Energy and Vectra, and such approval remaining in full force and effect at completion;

(c) The finalisation and completion of the procurement by the company of funds to satisfy the first committed payment of the consideration. For the avoidance of doubt, completion of such procurement of funds may be conditional on obtaining the Required Approvals; and

(d) Agreement between NauticAWT Energy and Vectra on a work program and budget relating to the Block VIIB PSC covering a period of two years.

During the current financial year, the Farm-in Transaction was completed and NauticAWT Energy has entered into an addendum to the Agreement (the "**Addendum**") with Vectra. Pursuant to the Addendum, the Consideration for the Farm-in Transaction of US$5,000,000 has been revised and is to be paid as follows:

(a) US$500,000 on 17 March 2017 or earlier;

(b) US$500,000 on 30 June 2017 or earlier;

(c) US$200,000 on 17 September 2017 or earlier; and

(d) NauticAWT Energy to pay Vectra in cash an amount equivalent to 25% of its net profit from oil sales from Block VIIB ("**NauticAWT Energy's Net Profit Oil**"). Such payments shall commence from 1 July 2017 and are payable at quarterly intervals until 30 June 2037 or, if earlier, the termination of the Block VIIB PSC provided that such payments shall only be made upon receipt by NauticAWT Energy of NauticAWT Energy's Net Profit Oil.

In the financial year ended 31 December 2017, the company has paid US$1,200,000 as stated in the Addendum.

The Group	**2019** **US$**	2018 US$
Commitments for the consideration of the Farm-in Transaction	-	-

37 Commitments (Cont'd)

As at 31 December 2018 and 31 December 2017, NauticAWT Energy, pursuant to the Addendum, is committed to spend a maximum of US$10,000,000 in capital expenditure during the period of the first five years from the date when the Agreement was entered into.

Subsequently, on 12 March 2019, NauticAWT Energy entered into an agreement with Vectra to acquire the remaining 50% equity interest in NVP Georgia LLC for nil consideration but all rights and responsibilities, including the financial and non-financial obligations under the PSC will be assigned and transferred to NauticAWT Energy upon the completion of this transaction. This acquisition is to facilitate the disposal of 100% interest in the Block VIIB PSC to the buyer.

On 1 April 2019, the shareholders of the company approved the sale of NauticAWT Energy.

(B)

Capital commitments

Capital commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	USS$	US$	**US$**	US$
Proposed acquisition of investment	**1,592,129**	-	**1,592,129**	-

38 Capital management

The Company's and the Group's objectives when managing capital are:

(a) To safeguard the Company's and the Group's ability to continue as a going concern, so that they continue to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Company's and the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Company's and the Group's risk management capability.

The Company and the Group actively and regularly review and manage their capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements, other than as disclosed in Note 15.

39 Events after the reporting period

Other than as disclosed elsewhere in these financial statements, the group has the following significant events after the reporting period:

(a) On 10 January 2020, the Group had completed the proposed acquisition of Rich Restaurant Company Limited ("**RRCL**") following the transfer of 700,000 ordinary shares of RRCL to the Group from Mr Kritsada Tunpow, the Group holds 35% of equity interest in RRCL. This acquisition is paid by the proceeds from the Subscription Agreement with Dr Chirasak Chiyachantana.

(b) An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. At the date of these financial statements, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. The Group operates in various regions affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

SHAREHOLDER INFORMATION

AS AT 25 MARCH 2020

SHARE CAPITAL

Issued and fully paid up-capital	: S$22,004,367.66
Total number of issued shares	: 794,186,046
Number of treasury shares	: Nil
Number of subsidiary holdings	: Nil
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	1	0.42	39	0.00
100 - 1,000	36	15.26	33,300	0.00
1,001 - 10,000	64	27.12	294,600	0.04
10,001 - 1,000,000	94	39.83	19,786,785	2.49
1,000,001 and above	41	17.37	774,071,322	97.47
Total	**236**	**100.00**	**794,186,046**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

	Name of shareholders	No. of shares	% of shares
1	UOB KAY HIAN PTE LTD	473,022,000	59.56
2	KIM SENG HOLDINGS PTE LTD	69,614,641	8.77
3	GALWAY PETROLEUM PTE LTD	33,714,916	4.25
4	RHODA KIRK OR EILIDH KIRK	31,235,947	3.93
5	JOHN GRONBECH	30,057,162	3.78
6	LIM HOW TECK	11,984,979	1.51
7	CHU VOON THART @ PETER CHU	9,044,425	1.14
8	RHB SECURITIES SINGAPORE PTE LTD	8,146,700	1.03
9	LOUREN DAVID WOOF	7,587,131	0.96
10	LAY KEVIN RAYMOND	6,894,312	0.87
11	YDE ELO	5,955,938	0.75
12	OCBC SECURITIES PRIVATE LTD	4,950,000	0.62
13	YAK THIAN HUAT (YI TIANFA)	4,862,785	0.61
14	CHONG SIU PENG	3,563,339	0.45
15	CITIBANK NOMINEES SINGAPORE PTE LTD	3,236,000	0.41
16	DBS NOMINEES PTE LTD	3,125,000	0.39
17	TAN FUH GIH	3,086,702	0.39
18	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,445,400	0.31
19	DEBARCHAN BISWAS	2,240,706	0.28
20	JULIEN JEAN BERNARD FRACHISSE	1,873,033	0.24
	Total	**716,641,116**	**90.25**

SHAREHOLDER INFORMATION
AS AT 25 MARCH 2020

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name of substantial shareholders	**No. of shares**	**% of issued share capital**	**No. of shares**	**% of issued share capital**
Dr Chirasak Chiyachantana	400,000,000	50.37	–	–
Jatechanya Boonchaleo	68,250,000	8.59	–	–
Kim Seng Holdings Pte Ltd (1)	69,614,641	8.77	–	–
Tan Fuh Gih (1)	3,086,702	0.39	69,614,641	8.77
Tan Kim Seng (1)	–	–	69,614,641	8.77
Tan Hoo Lang (1)	–	–	69,614,641	8.77

Note:

(1) Kim Seng Holdings Pte Ltd is an investment holding company incorporated in Singapore. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang hold 24.0%, 22.0% and 22.0% of the issued and paid-up share capital of Kim Seng Holdings Pte Ltd respectively and are each deemed interested in the shares held by Kim Seng Holdings Pte Ltd. The remaining shareholders of Kim Seng Holdings Pte Ltd are Tan Wei Min (20%), Tan Ah Ling (5.0%), Loh Sok Beng (5.0%) and Tan Ah Moy (2.0%). Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang, Tan Wei Min, Tan Ah Ling, Loh Sok Beng and Tan Ah Moy are siblings. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang are directors of Kim Seng Holdings Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on information available to the Company as at 25 March 2020, approximately 28.49% of the shareholdings of the Company is held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

REGISTERED OFFICE

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DR CHIRASAK CHIYACHANTANA
(Non-Independent Non-Executive Chairman)

JOHN GRONBECH
(Executive Director and CEO)

KENNY LIM YEOW HUA
(Lead Independent Director)

DR KUNCHIT SINGSUWAN
(Independent Director)

DR APHICHAT SRAMOON
(Independent Director)

AUDIT COMMITTEE

KENNY LIM YEOW HUA (*Chairman*)

DR KUNCHIT SINGSUWAN

DR APHICHAT SRAMOON

REMUNERATION COMMITTEE

DR KUNCHIT SINGSUWAN (*Chairman)*

KENNY LIM YEOW HUA

DR APHICHAT SRAMOON

NOMINATING COMMITTEE

DR APHICHAT SRAMOON (*Chairman)*

KENNY LIM YEOW HUA

DR KUNCHIT SINGSUWAN

REGISTERED OFFICE

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Email: contact@nautec.com

COMPANY REGISTRATION NUMBER

201108075C

COMPANY SECRETARY

CHUA KERN (LLB (HONS))

SHARE REGISTRAR

TRICOR BARBINDER
SHARE REGISTRATION SERVICES
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898

SPONSOR

UOB KAY HIAN PRIVATE LIMITED
8 Anthony Road
#01-01
Singapore 229957

INDEPENDENT AUDITORS

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Public Accountants and Chartered Accountants
Singapore
Partner-in-charge: Ms Ang Soh Mui
(with effect from the financial year ended 31 December 2019)
24 Raffles Place
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Singapore 048621

BANKERS

DBS Bank Limited
12 Marina Boulevard, Marina Bay Financial Centre
Tower 3, Level 3 Singapore 018982

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